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20 March 1981

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2108

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MINISTRY OFFICIAL EXPLAINS TAX STRUCTURES

Sofia TRUD in Bulgarian 14 Jan 81 p 2

[Interview with Levcho Gyurov, director of revenue from the population branch of the Ministry of Finance: "Tax Payments of the Population"]

> [Text] At the end of this 3-month period is the first deadline for payment of some taxes and obligations of the people. For this reason a representative of the editorial office talked with Levcho Gyurov--the director of revenue from the population branch of the Ministry of Finance.

[Question] What is the relative part of the returns from the fees and taxes paid by the population in the state budget.

[Answer] Not more than 8 percent. Tax payments are almost without any fiscal significance, but with them is realized a fair socioeconomic regulation and secondary redistribution of part of the individual citizens' income.

[Question] What are the basic current tax laws?

[Answer] There are two basic tax laws: the Income Tax Law and the Property Tax Law. The first one regulates the fair tax relationships between the citizens and the state in connection with the income earned by the citizens. With the second law these fair relationships are mainly in the area of the citizens' properties and the resulting obligations to the state. To the two laws should be added Article 7 from the decree for encouraging the birth-rate.

[Question] What is the lowest income tax percent paid by citizens?

[Answer] This is the tax percentage for work rewards for blue- and white-collar workers and others, in other words the income received under the conditions of the work contract. These rewards of up to 100 leva monthly are tax-free, and the maximum tax percentage is up to 14 percent for a monthly income of over 340 leva.

[Question] And what is the highest percentage of tax obligation?

[Answer] The highest is the percentage of private practice income: trade, crafts, free professions, rent, and others. It starts at 9 percent for income up to 200 leva, but it reaches 81 percent for income of more than 7,000 leva per year.

[Question] What could you say about the taxes on the incomes from agriculture?

[Answer] The taxes paid by the agricultural workers for their private farming have almost a symbolic character. They range from 0.5 to 2.00 leva per decare, independent of the extent of the profits made from the land and the types of crops. The cooperative workers do not pay any taxes for their domestic animals.

According to the 76 PMS [Council of the Ministers Letter], as of 1977 the profits made from selling agricultural products to the agricultural buyers organizations at lawful prices are not considered taxable, on condition that nobody else's labor was used for the production of these products, and that the workers have not evaded their obligations to work in the public sector, except if they are retired or employed in some other way.

The herdsmen who raise their own cattle in pastures in the mountainous and semi-mountainous parts of the country do not have to pay taxes either. They do not have to work in the public sector, since the nature of their work requires their constant preoccupation with the cattle.

[Question] What incomes are not subject to income taxes?

[Answer] These are the family allowances, pensions, scholarships, insurance compensations, one-time help in time of sickness, misfortune, marriage, birth, death, etc. Also tax-free are the rewards to innovators and inventors, received by them for this particular quality of theirs. The same applies to blind citizens who work. There are also a number of other tax reductions.

[Question] What could you say about the tax paid according to the decree for encouraging the growth of the birth rate?

[Answer] This tax is paid by single or divorced people, and by married couples without children, from 21 to 45 years for the women, and from 21 to 50 for the men. The percentage of taxes paid by this category of people is 5 percent up to 30 years of age and 10 percent above that age.

[Question] What could you say about taxes on properties?

[Answer] The property taxes are established by the Law of Land Taxes and Fees. The more important ones are:

--the tax on buildings, plots, and yards, which is 2 percent of the tax value of the property,

--additional tax on apartments over $120m^2$, which is paid per square meter according to a differentiated rate, and for villas over $60m^2$, also according to a differentiated rate.

This law determines the payment of taxes for the proper use of motor vehicles.

Besides this the law takes care of payments of taxes on inheritance, donations (gifts) and others.

[Question] Are there any difficulties in collecting taxes from the population?

[Answer] I definitely must say that there are no difficulties. For the last 10-15 years there hasn't been a single involuntary collection of a tax obligation. This is a definite expression of the people's trust in the tax policy of the state.

9684
CSO: 2200

BRIEFS

NEW CSSR OCEANGOING SHIP--The 15,000-ton oceangoing ship "Slapy" set out on her maiden voyage from Rijeka to Cuba on 3 March 1981. After the ship "Orlik," "Slapy" is the second of four sister ships being built in Rijeka, Yugoslavia. In 1981 the last two of the four ships, "Orava" and "Lipno," will join the current 13-ship Czechoslovak oceangoing fleet. These four ships are equipped with "automatic" engine rooms which make it possible to have direct control of the engines from the bridge during the afternoon and night shifts. The ship "Slapy" has a crew of 30. [Prague MLADA FRONTA in Czech 4 Mar 81 p 2]

CSO: 2400

MINISTER ASSESSES PAST, FUTURE INDUSTRIAL USE OF ROBOTS

East Berlin EINHEIT in German Vol 36 No 1, Jan 81 signed to press 10 Dec 80
pp 25-30

['Science--Technology--Economy' feature article by Dr Rudi Georgi, economist, member, SED Central Committee; minister for construction of machine tools and processing machinery: "Industrial Robots Raise the Technical and Technological Level"]

[Text] Industrial robots--a concept firmly established as a task in our party resolutions, more and more frequently encountered on the radio and television and in the press, and assuming a more and more important position in the thoughts and actions of many working people in our economy. What is robot technology and what is it for, whose concern is it, why has its significance grown so fast, and for what reason does precisely this technology become more and more of a focal point of our work? These are many questions, and their answer comes from our party's strategic concept grounded in the ninth party congress decisions and focusing on more and more consistently carrying on the implementation of our main task in its unity of economic and social policy.

Significant Position in Our Economic Strategy

We naturally solve all tasks pertaining to the further shaping of the developed socialist society under given concrete, objective conditions of social development. For that reason two things have to be reiterated time and time again at the threshold of the 1980's:

Continuing our main task today proceeds under fundamentally changed conditions which are marked in the economic field especially by a high speed in our scientific-technical revolution and the rapid change in foreign eocnomy conditions--chiefly in the raw material and energy sector. Even at the 11th session of the Central Committee, therefore, Comrade Erich Honecker emphatically pointed out "that the development of science and technology, the introduction of new products, procedures and technologies, and the changes of economic structures on a global scale proceed at an unprecedented speed. We are compelled to gage ourselves against these objective criteria for scientific-technical progress, efficiency, and quality of intensive economic management."[1]

Making our main task prevail, however, proceeds under such different developed reproduction conditions--the appropriate further development of our material-technical base, the qualitative development of our manpower resources, and the increasingly consolidating combines--that there is every assurance for our solving the tasks of the 1980's successfully. Our good starting positions, mainly the diligent work of the working people under party leadership, will make it possible for us to meet the new criteria for the development of our export production, the quality and marketability of our products, their lucrativeness and their effective sales, so that we shall at short shrift attain a perceptible "rationalization thrust" based on the combination between most up-to-date scientific-technical knowledge and technologies and the working people's innovator activities.[2]

These conditions permit and compel us at once to enforce an accelerated development and broad application of microelectronics, electronic control and computer technology, most up-to-date automation equipment in line with a scientific-technical top performance status, and industrial robot technology, they being the crucial acceleration factors in our scientific-technical and technological progress. That determines the main trends through which our scientific-technical revolution is effectively combined with the advantages of the socialist economic system; the development of our product and production profile is perfected and a higher rate of product refinement is provided; and the intensification factors of the reproduction process can thus be made effective in all directions.

These precisely are the contexts and dimensions within which the long-range importance of industrial robots must be understood, as the field of application and outcome of microelectronics. Proceeding from the digital processing technology which has come to prevail with great efficiency within the last 10 years in our automating or small and medium-size serial production based on microelectronics, robot technology closes the gap in the automation of our operational techniques. Thus it insures a highly flexible combination of partial production processes at an increasingly higher and more complex production level and an integration of ancillary processes with the main process. This introduces, qualitatively, an entirely novel stage of technology in industrial production, by which we ultimately envision automated operation, further changes in the position man holds within the labor process, and significant changes in the content of labor itself.

We are of course still in the beginning with this. And yet, development in connection with microelectronics and data processing is making rapid headway. "Within the next 5 to 10 years, an important development will take place from application in specific areas toward a complex penetration of the production processes. The task will be to design all science activity and production organization in such a way that an unbroken chain in our automation technology will in fact develop, from technological project planning, automated manufacture by digitally controlled machines and installations all the way to the automation of assembly and other auxiliary processes through the use of industrial robots."[3]

That is a challenge resulting from the implementation of our party's economic strategy, as set down in the basic resolutions in preparation of the 10th party congress. That must be fully met through end products that are value-intensive and bring in foreign currency, products that crucially control the comprehensive rationalization of the reproduction process.

Robot Technology Calls for Top-Level Commodity Development

In terms of international trends, the development and production of robot technology run in three main directions:

Robots operating on the principle of an assembly of prefabricated machine parts for cases of concrete application and for handling workpieces, such as putting in and taking out workpieces in machine tools, furnaces, casting machines, presses, welding apparatuses, and generally for transport, loading and packaging processes; technological robots used as universal robots primarily in the handling of tools in welding, spray-painting, sandblasting, degreasing and canning; and assembly robots that can sense and pick up, by touch, workpieces and tools and install them perfectly.

Experiences in the field of machine tool and processing machine construction in the development of robots tell us: Industrial robots are increasingly becoming a component of production plants that controls the performance level and is of the greatest long-range significance for domestic and export manufacture. They can be operated with the highest economic efficiency when a pertinent parallel development takes place in the previous machine technology, peripheral equipment and end-production organization. Because industrial robots always are an element of comprehensive technological units. Robots facilitate comprehensive rationalization solutions, but that requires that attention is paid in time to the higher degree of interlinking in research, development and production. As the developmental trend in robot technology pursues more highly integrated functions (independent recognition and handling of labor objects, independent reaction to changes in the work environment), basic and lead research must be strengthened in all areas.

These objective tendencies have far-reaching implications for management activity:

Under party organization leadership and through a far-sighted clarification of the requirements placed on the product and production profile of the combines prepared by the state managers, lead conditions for research, development and production have to be created in good time and be made effective through planning, and a firm and aggressive position has to be enforced on making them prevail.

Stable interdisciplinary development collectives have to be formed which interpret the high scientific-technical demand made as a challenge to themselves and implement it in accordance with objective criteria.

Through rigid management and planning activity, the conditions for top performance in this field have to be insured, starting with the elaboration of the requirements and the defense of the duty notebooks.

Interdisciplinary cooperation has to be developed wherein everywhere, be it in the combine or the science institutions, one's own performance contribution must be resolutely developed and the appropriate concentration of requisite potentials be insured.

The opportunities for international cooperation within the scope of a deepened socialist economic integration--especially the cooperation with the USSR--have to be further developed and used.

These are requirements to which machine tool and processing machine construction will increasingly be oriented in the 1980's.

Through the development and production of robot and operational technology for loading and unloading processes in machine tool and processing machines, machine tool construction in particular concentrates on developing and producing automated technolgical units for operations that need little or no service and fully integrating auxiliary and subsidiary processes along with it--in conformity with international developmental trends. Examples here are production cells, assembly lines, machine systems and integrated, commodity-specific production sectors as variants of our comprehensive rationalization of production with differentiated mechanization and automation degrees.

Machine tools and processing centers are interconnected through a workpiece transport and storage system, equipped with industrial robots, under minicomputer control. This rationalizes the whole production organization of the production areas, eliminates many manual operations, decisively improves product quality and labor productivity and enhances the technological discipline and the production process continuity. If such machine systems and integrated, commodity-specific production sectors are used, from 50 to 70 percent of the manpower in part processing and in storage and transport processes can be released, and the labor productivity can be raised between 200 and 400 percent. Line-production periods of thus far from 6 to 12 months (in plant production) are reduced by from 20 to 60 hours and the production areas, up to 50 percent.

These are tasks of high economic weight by which we pursue the idea not just to "achieve a bit more" but to find entirely new solutions, raise the degree of refinement in our output, and economically use the scientific-technical progress attained. Equally large, naturally, are the problems that have to be solved along with it. It is necessary, for instance, to insist on the highest, thus far unprecedented reliability and quality requirements for all components and elements. The machine tool industry has to accommodate itself to appropriate quality and working-life requirements. We are concerned here with the development of a linkage technology and of other peripheral facilities and its rapid transfer to production. We need machine tools that are responsive to robots, through which the accommodation and revamping efforts for application in user enterprises are minimized. And not last, that development has to be correlated with the opportunities and status reached in microelectronics and activated through higher achievements of their own so that over the cut of years and partial steps scientific-technical solutions become eocnomically useable.

Robot Technology Accelerates Rationalization

With the increasing availability of industrial robot technology and standardized supplies from the areas charged with its development and production, from electrical engineering and electronics, heavy machine and plant construction, tool machine and processing machinery construction, general machine, farm machine and vehicle construction, and the industrial areas of ore mining, metallurgy and potash, the possibilities are growing considerably for rapidly raising the technological level of the national economy in its whole breadth, and socialist rationalization is resolutely pursued as a way "to employ modern technologies economically and effectively and, purposefully, for improving men's working conditions."[4]

The top priority in the use of robot technology is vitally to reduce the manual work of over 40 percent of all production workers and of circa 70 percent of all the people working in the assembly areas and, above and beyond that, heavy physical, monotonous and hazardous work.

Differentiated results in the use thus far of robot technology--achieved through a release ratio of between 1.4 and 3 manpower per operation--and the experiences of progressive combines demonstrate that things are moving ahead well wherever comprehensive rationalization solutions are derived from long-range intensification conceptions of the enterprises and combines and where, together and in connection with the planned measures, main, auxiliary and administrative processes are drawn in, and a combination is prudently made to prevail between the balanced investments and the increased efforts in the branch-specific construction of means of rationalization. These are the experiences from which we must resolutely proceed, especially, in getting ready for the use of robot technology. They help successfully moving down the road, charted by the party since 197?, to develop, produce and use industrial robots. They form crucial points of departure for a targeted overfulfillment of operational targets up to 1985 in all industrial areas.

The basic concern is to combine the advantages of serial development and production of robot technology at a scientific-technical top level with the process-specific needs of the users in all our economic activity and thus to organize our "rationalization thrust" at the whole breadth of our national economy.

In the machine tool industry, for example, an integrated, commodity-specific production sector for making toolholders was created. Through coupling all processing machines with a combined storage and transport system, while at the same time integrating the heat-treatment processes with a computer-aided production control and supervision, a performance improvement of 310 percent was attained, labor productivity was doubled, the proportion of top-quality products was raised to 95 percent, and 90 workers were released for other enterprise tasks.

Now the comrades, by using other available industrial robots, are about to fashion this production sector with a second rationalization stage so that many more workers are released and still extant heavy physical and monotonous work is eliminated. At VEB Spinn- und Zwirnereimaschinenbau Karl-Marx-Stadt, through the development of the coiling machine model 2061, prerequisites have been created by means of an automated coil changer under microcomputer control, for the chemical fibre industry using this technology to be able to increase labor productivity to 230 percent and release 16 workers per machine with 24 jobs. The VEB Drehmaschinenwerk Leipzig, by building a highly automated preprocessing center, under robot control, for the sawing and cranking of rolling material, rollers and cast-steel rods, raised its labor productivity to 170 percent, released 10 workers and achieved an annual overall economic benefit of M 2.5 million. There are already many such examples in our economy today, and they all bring home how great the responsibility of the producers and users of robot technology is. The series producer of robot technology and standardized parts is under the obligation, for instance, to offer still much more comprehensive documentation on efficient rationalization solutions through its enterprise or technological center so that wide and effective use of it can be made by others and the user enterprises effectively aid in the adjustments that have to be made.

it also is important to help the branch-specific building of means of rationalization in the user combines for bringing most efficient solutions about by making important robot technology components available. The user, on the other hand, must be expected to insure much more extensively the necessary prerequisites for getting ready to use them. Experiences have demonstrated:

A broadly effective employment of robot technology presupposes timely and extensive political-ideological, technical-organizational and personnel preparation, organized over the long haul and with prescience.

It turns out to be utterly beneficial to focus the work in the combines and enterprises, with the involvement of all social forces, on providing all working people and collectives with clear information on the technical-economic advantages of using robots, all the way to the positive social effects under socialist production relations.

Due to the higher demands for automation, control and testing equipment, it is necessary to train and form operational collectives in good time.

Proceeding from the tried and tested principles in workpiece and process analyses, we must in good time decide on the requisite changes in the enterprise and production organization and take into account particularly the influence the use of robots has on preceding and subsequent processes.

Specific solutions best adapted to enterprise conditions are feasible only if the capacities of one's own construction of means of rationalization are purposefully included. Such employment ought to insure the production of requisite peripheral facilities like linkage facilities, workpiece and tool storage, and control and testing equipment.

A most effective form of support the producers and users have found to be the territorial working teams, formed on the initiative of the SED bezirk managements, such as the development, production and user community "Industrial Robots" in the GDR capital and the "Industrial Robots" science-production community in Karl-Marx-Stadt Bezirk.

It is of importance to every combine to build up and strengthen the technological capacities for preparing the use and application of industrial robots. The main form for it are application centers that gradually insure the project planning for their assortments.

This then becomes a complete picture going back to our initial questions: Robot technology concerns us all, its use is a priority task to be solved for our modern economy. It is an important contribution for each enterprise "in proceeding, in preparation of the 10th party congress and with an eye to the 1980's, systematically toward a higher productivity level in the GDR."[5]

FOOTNOTES

1. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 11. Tagung des ZK der SED" (From the Politburo Report to the 11th SED Central Committee Session), Dietz publishing house, Berlin, 1979, p 40.

2. Ibid., p 48.

3. Guenter Mittag, "Mit der Kraft der Kombinate fuer weiteren hohen Leistungsanstieg" (Through the Strength of the Combines Toward Another High Performance Improvement), Dietz publishing house, Berlin, 1980, p 41.

4. Ibid., p 44.

5. Erich Honecker, "On Topical Questions of GDR Domestic and Foreign Policy," NEUES DEUTSCHLAND, 14 October 1980, p 5.

5885
CSO: 2300

GERMAN DEMOCRATIC REPUBLIC

1980 ECONOMIC PERFORMANCE, STRUCTURAL CHANGES ANALYZED

West Berlin DIW-WOCHENBERICHT in German Vol 48 No 6, 5 Feb 81 pp 68-75

[Article by Doris Cornelsen, German Institute for Economic Research, West Berlin: "GDR Economy in Structural Change -- On the State of the GDR Economy at the Start of 1981"]

> [Text] The year 1980 saw the end of a five-year plan period whose goals in terms of growth were in part not realistic even from the start. Price increases on the world market and at home and changes in economic and structural policy marked development during these 5 years. Given a trend more toward declining rates, there was less growth in general than had been written into the plans.

Development in 1980

The report by the State Central Administration for Statistics on implementation of the 1980 Economic Plan[1] reveals the following information (percentage of growth compared to the preceding year):

	Planned	Actual	
	1980	First half of 1980	Entire year 1980
Produced national income	4.8	5	4.2
Industrial goods production	4.7	5.9	4.7
Retail trade turnover	4.0	5.7	4.3
Investments	0	-2	2

Plans had called for growth rates in 1980 of 4.8 percent for produced national income and 4.7 percent for industrial goods production.[2] These rates were certainly within reach, especially considering that the base had been reduced in 1979 by extreme weather conditions.

Growth rates for the first half-year were especially high because of the preceding year's poor results. It can be calculated from the published growth rate for the entire year that the 5-percent increase in overall economic growth in the first 6 months dropped to around 3.5 percent in the last half of the year.

In the case of industrial development, the base-related differences between the first half and the last half of the year are especially conspicuous. Industrial goods production by the national economy climbed by as much as 5.9 percent during the first 6 months, while an increase of 4.7 percent is reported for the entire year; the second half-year thus produced an increase of only 3.5 percent.

The plan fulfillment report stresses that the plan targets for industrial goods production were exceeded by 1 percentage point. Nevertheless, the planned and actual growth rates were absolutely identical — 4.7 percent for each. Thus the original plan estimate must have been retracted in 1980 as well. In this regard a fixed pattern appears to have evolved in the GDR: Lofty goals are supposed initially to help mobilize reserves; then a reduction is to enable the enterprises to adequately endow their enterprise funds after "fulfillment and overfulfillment."

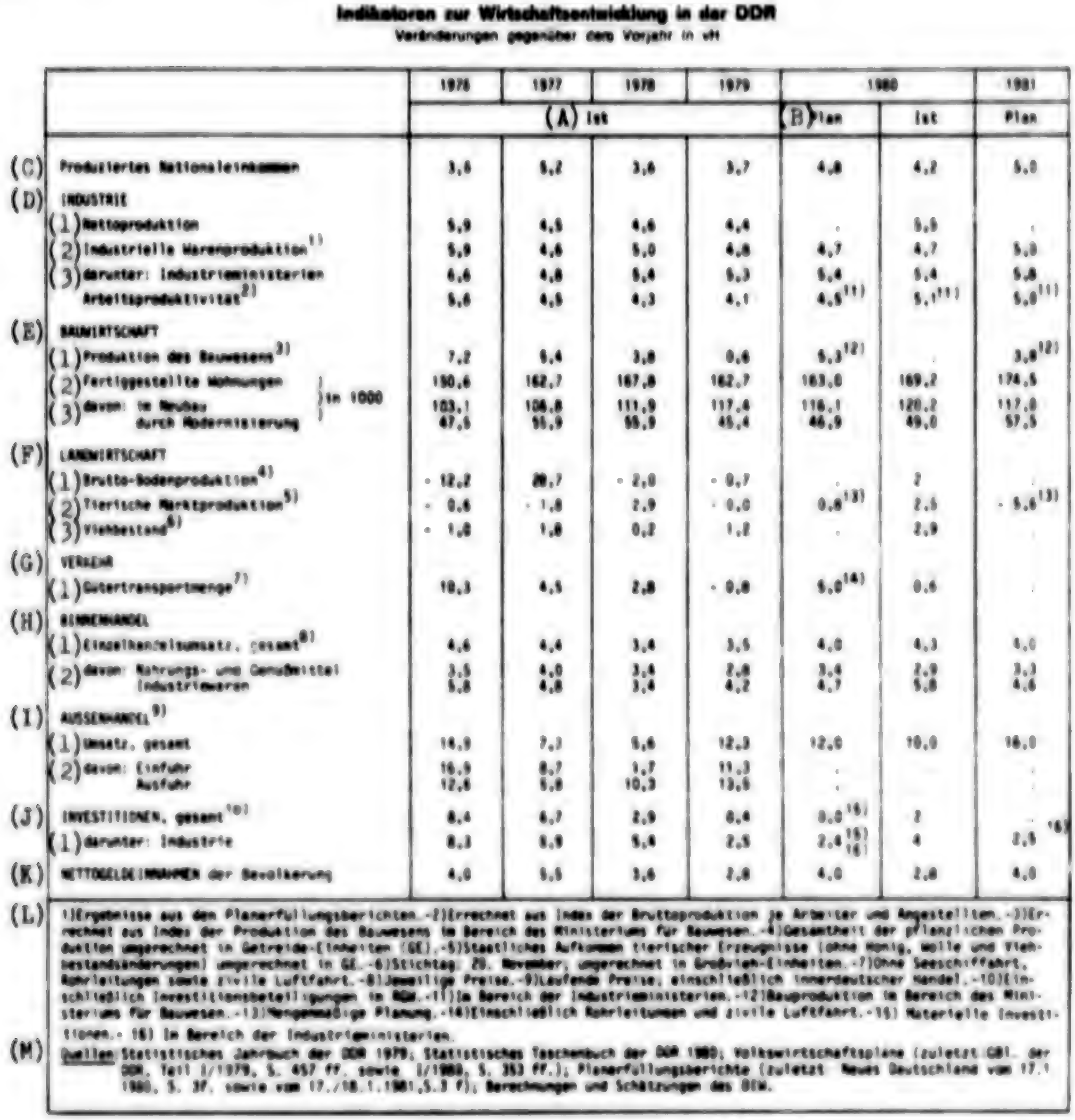
Exact percentages for overfulfillment are given for all branches of industry, but they have little validity without the plan data on which they are based. Once again there are monthly reports for industrial goods production by sectors; the latest one is for October. According to this report, the electrical-engineering, electronics and instrument-building sector — one that has been given special support for some time — continued its much greater than average expansion in 1980 as well; its growth amounted to 10 percent. In this case the plan estimate was presumably actually exceeded. The remaining sectors fell far short of attaining such rates; for instance, with a 6-percent increase the machine- and vehicle-building sector was somewhat below the plan estimates rather than above.

Since March 1980, "net production" and "base material costs per M 100 worth of goods production" have been listed along with "industrial goods production" under the basic index figures for planning, accounting and performance evaluation. Despite the short time these arrangements have been in effect, the plan fulfillment report already refers to successes with the new performance assessment. Specific consumption of raw materials and energy sources has been further reduced.

Because of this year's normal weather, the conditions necessary for production development were favorable in the construction and transport sectors, which are heavily dependent upon the weather. An especially good result was obtained in housing construction: With nearly 170,000 residential units — 120,000 new and almost 50,000 modernized units — plan targets were surpassed. There are reports of success in the other construction sectors as well, although the statistical reporting is somewhat obscure on this point; definitions and indexes used are constantly being changed. Transportation reported virtually no problem areas in 1980. The planned energy conservation measure that involves shifting freight transport from trucking to the railroads and inland shipping was carried forward.

Investment activity was characterized by increasing controls. As a consequence of the decisions to increase the effectiveness of investments,[3] the 1980 plan reduced by 200 the number of new investment projects originally planned in industry; the final figure was set at 250. Investments in the economy as a whole were supposed to stagnate, with those within the purview of the industrial ministries increasing by only 2 percent. These rates were meanwhile exceeded (economy as a whole: + 2 percent; industrial ministries: + 4 percent).[4]

Table 1. GDR Economic Development Indicators — Changes in Percent Compared to Preceding Year



Indikatoren zur Wirtschaftsentwicklung in der DDR

Veränderungen gegenüber dem Vorjahr in vH

	1976	1977	1978	1979	1980		1981
	(A) Ist				(B) Plan	Ist	Plan
(C) Produziertes Nationaleinkommen	3,5	5,2	3,6	3,7	4,8	4,2	5,0
(D) INDUSTRIE							
(1) Nettoproduktion	5,9	4,5	4,6	4,4	.	5,5	.
(2) Industrielle Warenproduktion[1]	5,9	4,6	5,0	4,8	4,7	4,7	5,0
(3) darunter: Industrieministerien	6,6	4,8	5,4	5,3	5,4	5,4	5,8
Arbeitsproduktivität[2]	5,6	4,5	4,3	4,1	4,5[11]	5,1[11]	5,0[11]
(E) BAUWIRTSCHAFT							
(1) Produktion des Bauwesens[3]	7,2	5,4	3,8	0,6	5,3[12]	.	3,8[12]
(2) Fertiggestellte Wohnungen (in 1000)	150,6	162,7	167,8	162,7	163,0	169,2	174,5
(3) davon: im Neubau (in 1000)	103,1	106,8	111,9	117,4	116,1	120,2	117,0
durch Modernisierung (in 1000)	47,5	55,9	55,9	45,4	46,9	49,0	57,5
(F) LANDWIRTSCHAFT							
(1) Brutto-Bodenproduktion[4]	- 12,2	20,7	- 2,0	- 0,7	.	2	.
(2) Tierische Marktproduktion[5]	- 0,6	- 1,8	2,9	- 0,0	0,8[13]	2,5	- 5,6[13]
(3) Viehbestand[6]	- 1,0	1,8	0,2	1,2	.	2,9	.
(G) VERKEHR							
(1) Gütertransportmenge[7]	10,3	4,5	2,8	- 0,8	5,0[14]	0,6	.
(H) BINNENHANDEL							
(1) Einzelhandelsumsatz, gesamt[8]	4,6	4,4	3,4	3,5	4,0	4,3	4,0
(2) davon: Nahrungs- und Genußmittel	3,5	4,0	3,4	2,8	3,4	2,9	3,3
Industriewaren	5,8	4,8	3,4	4,2	4,7	5,8	4,6
(I) AUSSENHANDEL[9]							
(1) Umsatz, gesamt	14,9	7,3	5,6	12,3	12,0	10,0	16,0
(2) davon: Einfuhr	16,9	8,7	1,7	11,3	.		.
Ausfuhr	12,6	5,8	10,3	13,5	.		.
(J) INVESTITIONEN, gesamt[10]	8,4	6,7	2,9	0,4	0,0[15]	2	.
(1) darunter: Industrie	8,3	5,9	5,4	2,5	2,4[15][16]	4	2,5[16]
(K) NETTOGELDEINNAHMEN der Bevölkerung	4,0	5,5	3,6	2,8	4,0	2,8	4,0

(L) 1) Ergebnisse aus den Planerfüllungsberichten. - 2) Errechnet aus Index der Bruttoproduktion je Arbeiter und Angestellten. - 3) Errechnet aus Index der Produktion des Bauwesens im Bereich des Ministeriums für Bauwesen. - 4) Gesamtheit der pflanzlichen Produktion umgerechnet in Getreide-Einheiten (GE). - 5) Staatliches Aufkommen tierischer Erzeugnisse (ohne Honig, Wolle und Viehbestandsänderungen) umgerechnet in GE. - 6) Stichtag: 30. November, umgerechnet in Großvieh-Einheiten. - 7) Ohne Seeschiffahrt, Rohrleitungen sowie zivile Luftfahrt. - 8) Jeweilige Preise. - 9) Laufende Preise, einschließlich innerdeutscher Handel. - 10) Einschließlich Investitionsbeteiligungen im RGW. - 11) Im Bereich der Industrieministerien. - 12) Bauproduktion im Bereich des Ministeriums für Bauwesen. - 13) Mengenmäßige Planung. - 14) Einschließlich Rohrleitungen und zivile Luftfahrt. - 15) Materielle Investitionen. - 16) Im Bereich der Industrieministerien.

(M) Quellen: Statistisches Jahrbuch der DDR 1979; Statistisches Taschenbuch der DDR 1980; Volkswirtschaftspläne (zuletzt GBl. der DDR, Teil I/1979, S. 457 ff. sowie I/1980, S. 353 ff.); Planerfüllungsberichte (zuletzt Neues Deutschland vom 17.1.1980, S. 3f. sowie vom 17./18.1.1981, S. 3 f); Berechnungen und Schätzungen des DIW.

[Key on following page]

Key:

A. Actual
B. Planned
C. Produced National Income
D. Industry
  1. Net production
  2. Industrial goods production[1]
  3. Including: Industrial ministries
     Labor productivity[2]
E. Construction Industry
  1. Production by construction sector[3]
  2. Residential units completed
  3. Including: New units
     Modernized units
F. Agriculture
  1. Gross crop production[4]
  2. Production of animal products for the market[5]
  3. Animal stocks[6]
G. Transportation
  1. Volume of freight transport[7]
H. Domestic Trade
  1. Total retail trade turnover[8]
  2. Including: Food and nonessential foods and beverages
     Industrial goods
I. Foreign Trade[9]
  1. Total turnover
  2. Including: Imports
     Exports
J. Total Investments[10]
  1. Including: Industry

K. Net Money Income of the Population

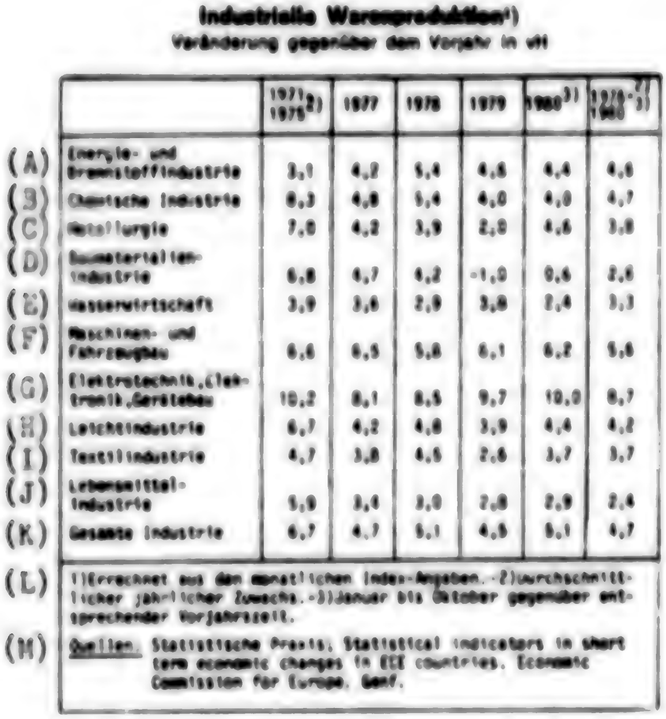
L. 1) Results from plan fulfillment reports;
  2) Computed from the index of gross production per worker and salaried employee;
  3) Computed from the index of construction production in the Ministry for Construction Industry sector;
  4) Total crop production converted to grain units (GE);
  5) State yield in animal products (excluding honey, wool and changes in animal stocks) converted to GE;
  6) Cut-off date: 20 November; converted to live weight units of cattle;
  7) Excluding shipping, pipelines and civil aviation;
  8) Prices at the respective times;
  9) Current prices; including inner-German trade;
  10) Including investment holdings within CEMA;
  11) In the industrial ministries sector;
  12) Construction production within the Ministry for Construction Industry sector;

[Key continued on following page]

L. 13) Planning by volume;
14) Including pipelines and civil aviation;
15) Material investments;
16) In the industrial ministries sector.

M. Sources: "GDR Statistical Annual, 1979"; "GDR Pocketbook of Statistics, 1980"; national economic plans (latest sources: GESETZBLATT DER DDR, Part I, 1979, p 457 ff, and Part I, 1980, p 353 ff); plan fulfillment reports (latest sources: NEUES DEUTSCHLAND, 17 January 1980, p 3 f, and 17 January 1980, p 3 f); DIW calculations and estimates.

Table 2. Industrial Goods Production[1]— Change in Percent Compared to Preceding Year



Industrielle Warenproduktion¹)
Veränderung gegenüber dem Vorjahr in vH

	1971-1975 2)	1977	1978	1979	1980 3)	1976-1980 2)3)
(A) Energie- und Brennstoffindustrie	3,1	4,2	5,4	4,5	4,4	4,6
(B) Chemische Industrie	6,3	4,8	5,4	4,0	4,0	4,7
(C) Metallurgie	7,0	4,2	3,9	2,0	4,6	3,8
(D) Baumaterialienindustrie	6,8	4,7	4,2	-1,0	0,6	2,6
(E) Wasserwirtschaft	3,9	3,6	2,9	3,8	2,4	3,3
(F) Maschinen- und Fahrzeugbau	6,6	6,5	5,8	6,1	6,2	5,6
(G) Elektrotechnik, Elektronik, Gerätebau	10,2	8,1	8,5	9,7	10,0	8,7
(H) Leichtindustrie	6,7	4,2	4,8	3,9	4,4	4,2
(I) Textilindustrie	4,7	3,8	4,5	2,6	3,7	3,7
(J) Lebensmittelindustrie	5,9	3,4	3,0	2,8	2,9	2,4
(K) Gesamte Industrie	6,7	4,7	5,1	4,5	5,1	4,7

(L) 1) Errechnet aus den monatlichen Index-Angaben. – 2) Durchschnittlicher jährlicher Zuwachs. – 3) Januar bis Oktober gegenüber entsprechender Vorjahreszeit.

(M) Quellen: Statistische Praxis; Statistical indicators in short term economic changes in ECE countries. Economic Commission for Europe, Genf.

Key:

A. Energy and fuels industry
B. Chemical industry
C. Metallurgy
D. Building materials industry
E. Water management
F. Machinery and vehicle construction
G. Electrical engineering, electronics, instrument-building
H. Light industry
I. Textiles industry
J. Food industry
K. Industry as a whole

L. 1) Computed from monthly index data;
2) Average annual increase
3) January to October compared to corresponding period for preceding year

M. Sources: STATISTISCHE PRAXIS; "Statistical Indicators in Short-Term Economic Changes in ECE Countries," Economic Commission for Europe, Geneva.

Differing trends showed up in the area of income and supply. The public's net money income rose by just under 3 percent; pensions accounted for a large part of the increase. Pensions were raised effective 1 December 1979, a measure that brought an average pension increase of 10 percent. Net wages and salaries per employee registered an increase of just under 2 percent, or less than the average for past years.

An increase of 4 percent is recorded for retail trade turnover (industrial goods: 6 percent; food and nonessential foods and beverages: 3 percent). It is interesting that this rate is higher than the rise in net money income. A slowing of the increase in savings deposits might account for the difference. Part of the larger retail trade turnover can probably also be traced to price increases. It is obvious, however, that the especially severe problems with domestic supply that were observable in the last half of 1979 have meanwhile improved slightly. There are still frequent complaints about shortages.

Main Results of 1976-1980 Five-Year Plan

The year 1980 concluded the five-year plan period. In attempting to draw a preliminary balance, one must take into account that for the past 5 years the world market has been marked by turbulent events which have created problems for all countries dependent upon foreign trade. Despite changes in its overall situation, the GDR has kept to its extensive social policy program.

Several important economic policy decisions were implemented during the five-year plan period that just ended:

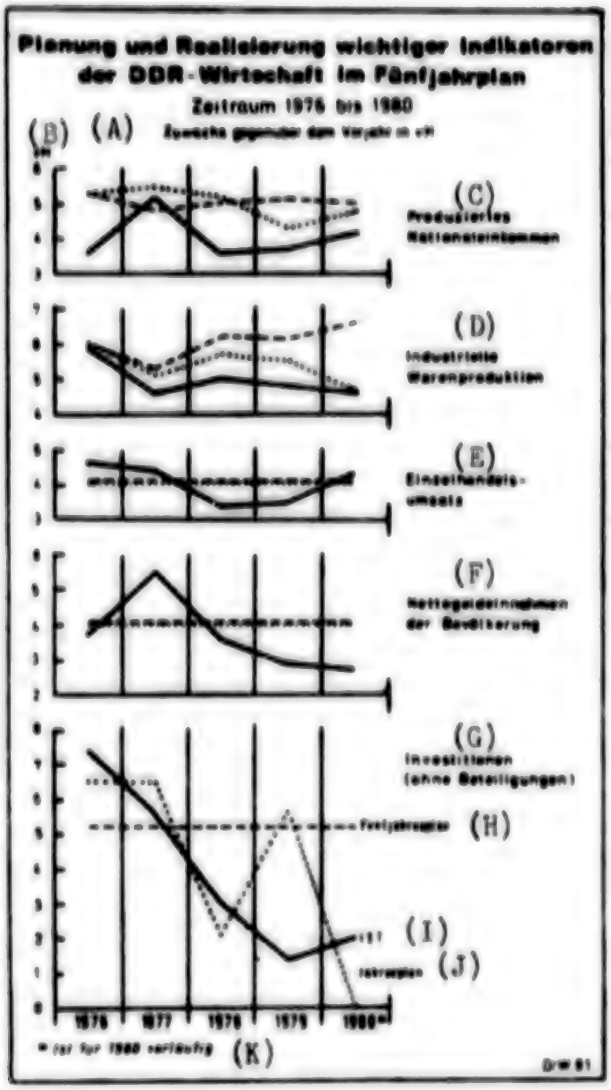
A change in economic organization resulting from combine formation aimed at improving the organization of production, accelerating scientific-technical progress and improving the organization of foreign trade activity;[5]

Systematic price increases for raw materials and finished products at the enterprise level and the introduction of new pricing methods aimed at forcing a more efficient use of products by the enterprises.[6]

An important economic policy change took the form of renunciation of the principle of generally constant prices at the consumer level. Added to this were numerous administrative measures designed to improve the assessment of performance, supplement the index figure system, monitor investments, encourage energy conservation and meet material consumption norms. Action was also taken that affected the overall economy's structural development. Thus, many of the five-year plan goals were overrun by events — some of them at the very beginning of the plan period.

It would of course be an overassessment of the planners' forecasting abilities to regard a plan covering a period of 5 years as more than just a conception based on information available at the time it was drafted. Even the GDR's planning rules allow the annual plans to deviate from the basic lines of the five-year plan under certain conditions. Nevertheless, heavy stress is placed on the role of the five-year plan as the instrument that charts the principal direction. A comparison between plan and results reveals that this was true only to a very limited degree in the plan period just ended.

Figure 1. Planning and Realization of Important GDR Economic Indicators During the 1976-1980 Five-Year Plan Period

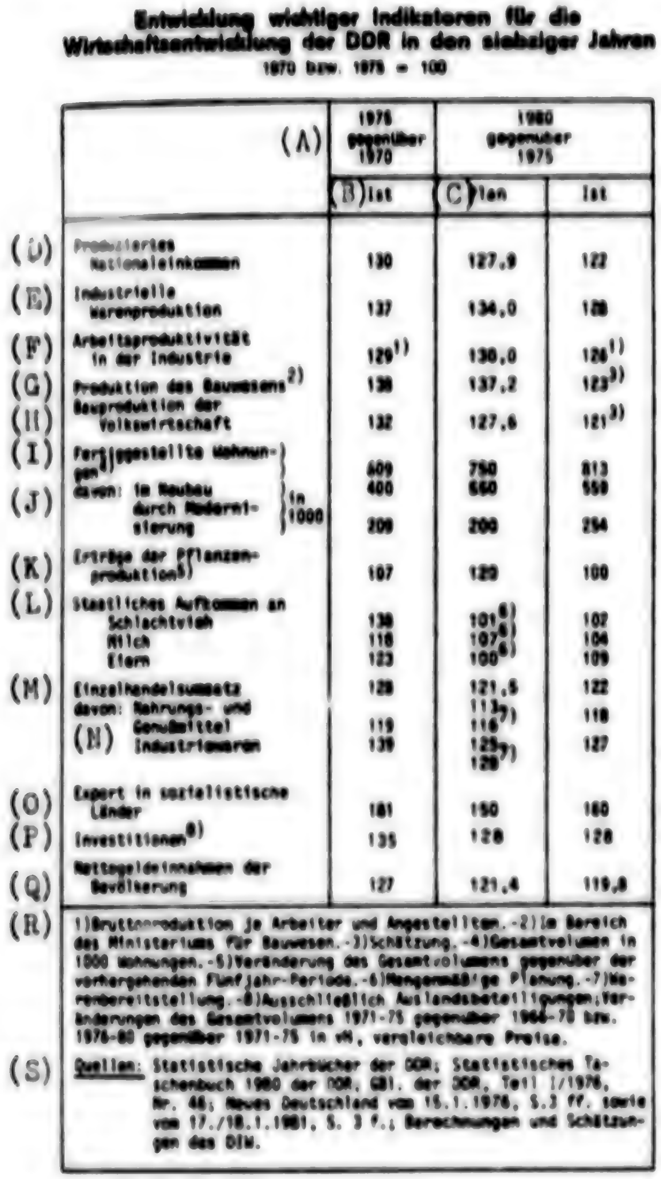


Key:

A. Percentage of growth compared to preceding year
B. Percent
C. Produced National Income
D. Industrial Goods Production
E. Retail Trade Turnover
F. Net Money Income of the Population
G. Investments (excluding participation abroad)
H. Five-year plan
I. Actual
J. Annual plan
K. Provisional for 1980

Table 3. Growth of Important GDR Economic Development Indicators in the 1970's

1970 and 1975 = 100



Entwicklung wichtiger Indikatoren für die Wirtschaftsentwicklung der DDR in den siebziger Jahren

1970 bzw. 1975 = 100

(A)	1975 gegenüber 1970	1980 gegenüber 1975	
	(B) Ist	(C) Plan	Ist
(D) Produziertes Nationaleinkommen	130	127,9	122
(E) Industrielle Warenproduktion	137	134,0	128
(F) Arbeitsproduktivität in der Industrie	129¹⁾	130,0	126¹⁾
(G) Produktion des Bauwesens²⁾	138	137,2	123³⁾
(H) Bauproduktion der Volkswirtschaft	132	127,6	121³⁾
(I) Fertiggestellte Wohnungen⁴⁾ } in 1000	609	750	813
(J) davon: im Neubau } in 1000	400	550	559
durch Modernisierung } in 1000	209	200	254
(K) Erträge der Pflanzenproduktion⁵⁾	107	120	100
(L) Staatliches Aufkommen an			
Schlachtvieh	138	101⁶⁾	102
Milch	118	107⁶⁾	104
Eiern	123	100⁶⁾	109
(M) Einzelhandelsumsatz	128	121,5	122
davon: (N) Nahrungs- und Genußmittel	119	113 116⁷⁾	118
Industriewaren	139	125 129⁷⁾	127
(O) Export in sozialistische Länder	181	150	180
(P) Investitionen⁸⁾	135	128	128
(Q) Nettogeldeinnahmen der Bevölkerung	127	121,4	119,8

(R) 1) Bruttoproduktion je Arbeiter und Angestellten. – 2) Im Bereich des Ministeriums für Bauwesen. – 3) Schätzung. – 4) Gesamtvolumen in 1000 Wohnungen. – 5) Veränderung des Gesamtvolumens gegenüber der vorhergehenden Fünfjahr-Periode. – 6) Mengenmäßige Planung. – 7) Warenbereitstellung. – 8) Ausschließlich Auslandsbeteiligungen; Veränderungen des Gesamtvolumens 1971-75 gegenüber 1966-70 bzw. 1976-80 gegenüber 1971-75 in vH, vergleichbare Preise.

(S) Quellen: Statistische Jahrbücher der DDR; Statistisches Taschenbuch 1980 der DDR, GBl. der DDR, Teil I/1976, Nr. 46; Neues Deutschland vom 15.1.1976, S. 3 ff. sowie vom 17./18.1.1981, S. 3 f.; Berechnungen und Schätzungen des DIW.

Key:

A. Compared to
B. Actual
C. Planned
D. Produced national income
E. Industrial goods production
F. Labor productivity in industry
G. Production by the construction sector²
H. Construction production by the economy as a whole
I. Residential units completed⁴
J. Including: New units
   Modernized units
K. Crop production yields⁵
L. State yield of:
   Slaughter animals
   Milk
   Eggs
M. Retail trade turnover
N. Including: Food and nonessential foods and beverages
   Industrial goods
O. Exports to socialist countries
P. Investments⁸
Q. Net money income of the population
R. 1) Gross production per worker and salaried employee;
   2) In the Ministry for Construction sector;
   3) Estimate;
   4) Total volume in 1,000 residential units;
   5) Change in total volume compared to preceding 5-year period;
   6) Quantitative planning;
   7) Provision of goods;
   8) Exclusively investment participation abroad; percentages of change in the total 1971-1975 volume compared to the 1966-1970 and 1971-1975 volumes at comparable prices.
S. Sources: GDR statistical annuals; "GDR Pocketbook of Statistics, 1980"; GESETZBLATT DER DDR, Part I, 1976, No 46; NEUES DEUTSCHLAND, 15 January 1976, p 3 ff, and 17/18 January 1981, p 3 f; DIW calculations and estimates.

The five-year plan not only prescribed targeted volumes for the main index figures — produced national income and industrial production; it also broke them down by years. The result was supposed to be a somewhat accelerated growth for industry over the course of the plan period. A comparison between the planned and the actual[7] shows a different picture (percentage of growth compared to preceding year):

	1976	1977	1978	1979	1980	1976-1980
Produced National Income						
Five-year plan	5.3	4.8	5.0	5.1	5.0	127.9
Actual result	3.6	5.2	3.6	3.7	4.2	122.0
Industrial Goods Production						
Five-year plan	6.0	5.3	6.2	6.1	6.6	134.0
Actual result	5.9	4.6	5.0	4.8	4.7	127.6

It is true that substantial growth was achieved, also by international standards, but the five-year plan goals were not fulfilled.

Industry in particular was unable to accelerate its growth during the five-year plan period; on the contrary, declining growth rates were recorded. To be sure, there were some changes made that exacerbated the situation: Working hours were shortened and vacations lengthened as a result of the social policy program, and there were organizational adjustments in connection with combine formation and structural displacements that had not yet been detected at the time the plan was being drawn up.

For instance, the term "microelectronics" appeared neither in the directive on the five-year plan nor in the text of that plan as passed. It was not until 1977 that the resolution by the Sixth SED Central Committee Plenum defined the importance of microelectronics to the economy, calling for the pace of development to be speeded up in this sector. Electrical engineering became a key element in the formation of combines; research institutions were established and provided with employees and investments. Since that time, electrical engineering has been the leader in development; the five-year plan targets have been surpassed in this field — though definitely under a different structure than was originally planned. The chemical industry exemplifies the opposite situation. The higher prices for petroleum and the subsequent comeback of domestic raw materials led to structural changes here as well, with reduced growth being the end result.

On the whole, industrial goods production is lagging somewhat farther behind than labor productivity. This only permits the conclusion that industry had a smaller increase in its labor force than originally estimated.

Agriculture clearly failed to meet the five-year plan's goals for crop production. The total yield for the 1976-1980 period was below that of the preceding 5 years, but the five-year plan had called for a 20-percent increase. One reason for this was definitely the especially poor harvest year of 1976. Nevertheless, it is quite obvious that in addition the large crop production units did not achieve the production successes expected by the economic leadership. The poor condition of the fields is mentioned as a particular factor.

By contrast, animal product yield experienced a more favorable development; the five-year plan targets were even exceeded in some instances. One reason for this was large feed imports, another was better utilization of feed. The generally unsatisfactory development in agriculture produced the decision in 1980 to make some changes in the price structure and in the granting of subsidies.[8] Further changes are anticipated.

The total volume of investments (1967 as the base year for prices) was supposed to amount to M 242 billion for the 1976-1980 Five-Year Plan period, with M 8 billion of this in the form of participation in joint investment projects in the USSR and the other socialist countries.

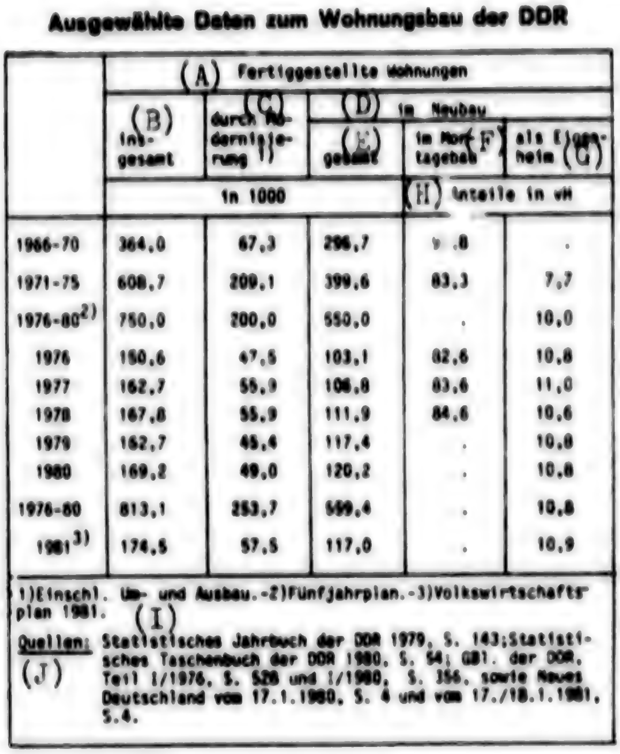
Investment activity increased at a rapid pace at the start of the five-year plan period, but apparently not in conformity with the planning. The spring of 1978 already brought complaints of investments "in the billions" outside the plan. At the same time, the splitting of funds among too many sites — especially in the case of the construction industry -- caused numerous investment projects to remain unfinished. Moreover, the efficiency of the investments did not conform to the ideas of the planners in some instances: It was pointed out repeatedly that investments were creating more jobs than they were eliminating, while the five-year plan had called for just the opposite. Against the backdrop of a shortage of manpower and of resources in general, a whole series of administrative measures were put through during the five-year plan period, including a review of all investment projects, "site by site." Investment activity increased only slightly in 1979 and 1980; although the volume prescribed in the five-year plan was indeed attained, the structure would seem to be quite different.

Contrasting with the increased monitoring is the leeway given the enterprises under the caption "in-house construction of rationalization means." Meanwhile, 16 percent of industry's investments in equipment were produced in this way; the figure was only 6 percent in 1975. From the standpoint of an economy marked by a sharp division of labor, this method is not very efficient even though it cannot be denied that it does ease bottlenecks.

The rules for the housing construction program remained unchanged. Despite the shortage of resources, medium-range planning was resolutely implemented in this sector. With 813,000 units completed, the plan (750,000) was exceeded in the area of new housing as well as modernized units.[9]

The rest of the construction industry could not report similar successes. On the contrary, the fact is that the construction industry's technical structure and principles of performance evaluation have long been resulting in deviations from planned lines of development: For the one doing the work, it is always easier to complete and account for in his books a new building that it is a remodeled one. On the other hand, the economic leadership considers it more efficient to modernize existing buildings, because rough estimates put construction costs between 20 and 25 percent below those for new construction. The conflict between overall economic interests and those of the enterprises has so far not been resolved. The stricter monitoring of construction projects has merely caused production and productivity in the construction industry to remain below the medium-range goals set for it.

Table 4. Selected Data on GDR Housing Construction



Ausgewählte Daten zum Wohnungsbau der DDR

	(A) Fertiggestellte Wohnungen				
	(B) Insgesamt	(C) durch Modernisierung 1)	(D) im Neubau		
			(E) gesamt	(F) im Montagebau	(G) als Eigenheim
	in 1000			(H) Anteile in vH	
1966-70	364,0	67,3	296,7	[illegible]	.
1971-75	608,7	209,1	399,6	83,3	7,7
1976-80$^{2)}$	750,0	200,0	550,0	.	10,0
1976	150,6	47,5	103,1	82,6	10,8
1977	162,7	55,9	106,8	83,6	11,0
1978	167,8	55,9	111,9	84,6	10,6
1979	162,7	45,4	117,4	.	10,8
1980	169,2	49,0	120,2	.	10,8
1976-80	813,1	253,7	559,4	.	10,8
1981$^{3)}$	174,5	57,5	117,0	.	10,9

1)Einschl. Um- und Ausbau.-2)Fünfjahrplan.-3)Volkswirtschaftsplan 1981. (I)

Quellen: (J) Statistisches Jahrbuch der DDR 1979, S. 143;Statistisches Taschenbuch der DDR 1980, S. 54; GBl. der DDR, Teil I/1976, S. 528 und I/1980, S. 356, sowie Neues Deutschland vom 17.1.1980, S. 4 und vom 17./18.1.1981, S.4.

Key:
A. Residential units completed
B. Total
C. Through modernization[1]
D. New housing construction
E. Total
F. Prefabricated construction
G. Owner-occupied housing
H. Shares in percent
I. 1) Including renovation and expansion;
2) Five-year plan;
3) 1981 Economic Plan
J. "GDR Statistical Annual, 1979," p 143; "GDR Pocketbook of Statistics, 1980, p 54; GESETZBLATT DER DDR, Part I, 1976, p 528, and Part I, 1980, p 356; NEUES DEUTSCHLAND, 17 January 1980, p 4, and 17/18 January 1981, p 4.

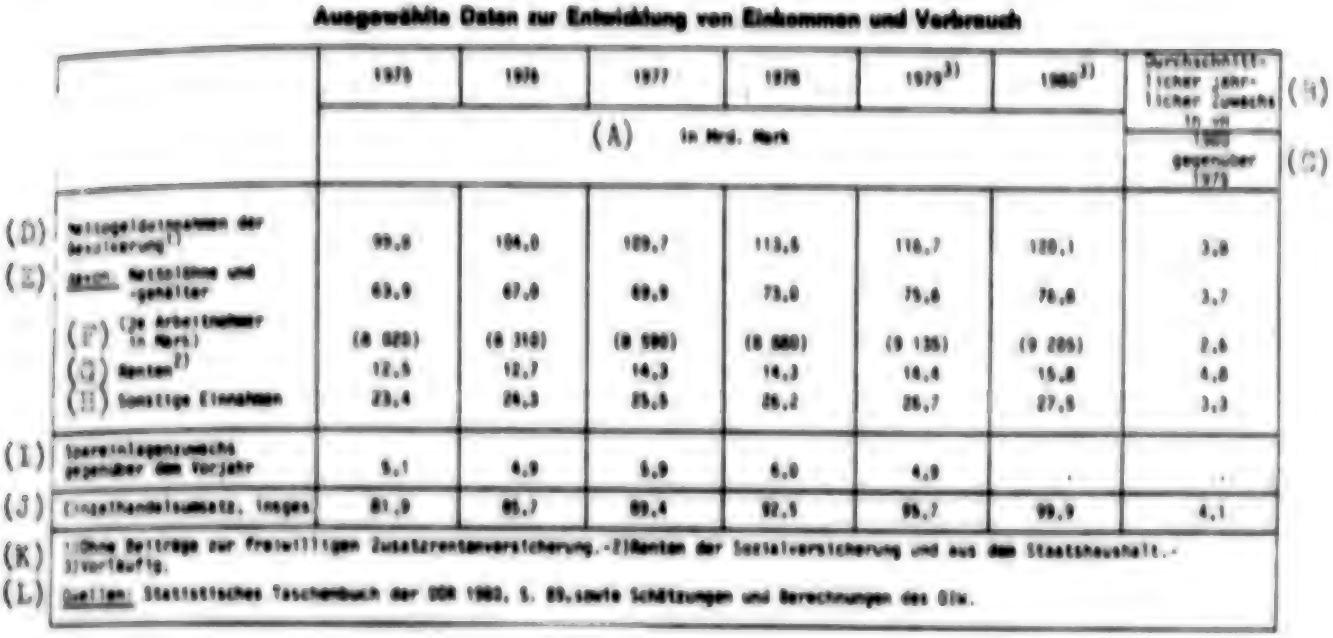
Five-year planning placed special emphasis on "material economy" -- or reduction in the expenditure of raw materials and energy sources important to the economy — and this was before the full extent of the price rise on the world market had been perceived. The five-year plan reiterated the already familiar phrases ("economy as a principle of socialist management") and called for a reduction in the excessive consumption of materials and energy. For instance, the specific consumption of utility energy in industry was to be reduced by 5 percent per year; lofty goals were also set for conserving rolled steel, nonferrous metals and cement. Reports of success in this regard have been considerable, albeit virtually unverifiable. It is claimed that for the economy as a whole, growth of the national product since 1975 — averaging just under 4 percent per year — involved increases in energy consumption amounting to 2.3 percent a year; specific energy consumption by the economy as a whole has thus declined by 1.6 percent annually.

The five-year plan period saw some changes in the sector for working conditions, income and supply for the population. Some groups within the labor force had their work week reduced (the standard is 43 3/4 hours); the number of vacation days was increased by 3 or more days.[10]

Special programs were implemented in support of mothers employed outside the home and families with children.[11] Basic pensions were raised by 10 percent and more twice during this five-year plan period (end of 1976 and end of 1979).

On the other hand, development was not so strong for earned income in the period under study. At first the existing trend continued for net wages and salaries, but

Table 5. Selected Data on the Development of Income and Consumption



Ausgewählte Daten zur Entwicklung von Einkommen und Verbrauch

	1975	1976	1977	1978	1979[3)]	1980[3)]	Durchschnittlicher jährlicher Zuwachs in vH (B)
	(A) in Mrd. Mark						1980 gegenüber 1975 (C)
(D) Nettogeldeinnahmen der Bevölkerung[1)]	99,8	104,0	109,7	113,6	116,7	120,1	3,8
(E) darun. Nettolöhne und -gehälter	63,9	67,0	69,9	73,0	75,6	76,8	3,7
(F) (je Arbeitnehmer in Mark)	(8 020)	(8 310)	(8 590)	(8 880)	(9 135)	(9 205)	2,6
(G) Renten[2)]	12,5	12,7	14,3	14,3	14,4	15,8	4,8
(H) Sonstige Einnahmen	23,4	24,3	25,5	26,2	26,7	27,5	3,3
(I) Spareinlagenzuwachs gegenüber dem Vorjahr	5,1	4,9	5,9	6,0	4,9	.	. .
(J) Einzelhandelsumsatz, insges.	81,9	85,7	89,4	92,5	95,7	99,9	4,1

(K) 1)Ohne Beiträge zur freiwilligen Zusatzrentenversicherung.-2)Renten der Sozialversicherung und aus dem Staatshaushalt.-3)vorläufig.

(L) Quellen: Statistisches Taschenbuch der DDR 1980, S. 89,sowie Schätzungen und Berechnungen des DIW.

Key:

A. In billions of marks
B. Average annual growth in percent
C. Compared to
D. Net money income of the population[1]
E. Including: Net wages and salaries
F. (In marks per employee)
G. Pensions[2]
H. Other income
I. Growth of savings deposits compared to preceding year
J. Total retail trade turnover
K. 1) Excluding payments for voluntary supplemental pension insurance;
   2) Pensions from social insurance and the national budget;
   3) Provisional
L. Sources: "GDR Pocketbook of Statistics, 1980," p 89; DIW estimates and calculations.

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it slowed toward the end of the plan period. Per capita income rose by an average of only 3 percent annually, somewhat less than in the preceding years.

The five-year plan period as a whole was marked by domestic supply shortages. The progress made in improving the supply of industrial goods was minimal (annual increase in percent):

Retail Trade Turnover	1971-1975	1976	1977	1978	1979	1980
Total	5.0	4.6	4.4	3.4	3.5	4.3
Food and nonessential foods and beverages	3.5	3.5	4.0	3.4	2.8	2.9
Industrial goods	6.8	5.8	4.8	3.4	4.2	5.8

In the fall of 1977 it was announced that more and more "Exquisit" and "Delikat" shops would be established, stores where imported goods and high-quality domestic goods are sold at substantially higher prices. It was reported at the end of 1978 that these shops had achieved sales of M 1,485 billion, which was 1.6 percent of the total retail trade turnover at that time. This share has probably more than doubled in the meantime. Now that the new pricing policy has resulted in fixed prices only for basic commodities, the normal market is also seeing price increases for higher-quality goods. According to official figures, fixed-price basic commodities still account for 80 percent of the total quantity of goods available for consumption, although the increase in retail trade turnover in the last 2 years has been marked by substantial price increases.

The scarcity of goods has once again made clear the poor organization of the distribution apparatus. Distribution in terms of region and time is in a worse condition than the production sector's supply capabilities. The fact is that there has been continued improvement in the population's standard of living during this five-year plan period as well — though at a slower pace and with greater losses resulting from economic friction. Per capita consumption of important foodstuffs is nearly equal to that in the FRG; acquisition of durable consumer goods by private households has gotten progressively better.

The increased purchases went hand in hand with larger and larger subsidies from the national budget. The five-year plan had called for raising "payments by the state from social funds" — or money for housing, price subsidies and health, education and so forth — to approximately M 210 for the period from 1976 through 1980. The actual expenditure for these purposes was M 234, the main reason being the growing outlays for the housing sector and price subsidies. The structure and development of the national budget were thus altered substantially.[12] Another large increase in subsidies is anticipated for 1981. Taking effect on 1 January 1981 were numerous other scheduled price increases for energy, but also for finished products;[13] the result has been that the budget plan raised by 20 percent its outlays for maintaining fixed consumer prices.

Foreign trade was discussed only briefly in the published documents on the five-year plan, but it was nevertheless clear that exports were supposed to increase more than imports. Statistical reporting on the five-year period just ended is even scantier. An estimate based on data from partner countries reveals the great efforts that have been made in recent years: Imports and exports increased in nominal terms by approximately the same volume in 1979 as in 1975; in real terms this signifies a considerably larger rise in exports than imports. This did not, however, result in an improvement in the foreign trade situation: There were trade balance deficits unlike any in GDR history. The import surplus, which had amounted to a total of 4.2 billion valuta marks (VM) in 1975, reached its highest level in

1977 with VM 8.0 billion; it can be estimated at VM 4 billion for 1979. The cumulative trade balance deficits for the five-year plan period amount to more than VM 25 billion. The new five-year plan is thus heavily mortgaged.

1981 Plan: Model for Five-Year Plan?

The 1981-1985 Five-Year Plan will be set forth in April at the 10th SED Party Congress. No draft has been published as yet. A directive on the writing of the 1981 Economic Plan[14] says that challenging objectives are to create the foundations for the entire five-year plan period.

The 1981 Economic Plan outlines the following basic directions:

Growth of 5 percent in produced national income and industrial goods production;

Increase of 2.5 percent in investments by industry within the industrial ministries sector; no planned grwoth rates were published for investments by the economy as a whole;

Increases of 4 percent in net money income and in retail trade turnover;

An increase of 16 percent in foreign trade turnover.

This planning clearly sets the GDR apart, not only from the pessimistic forecasts on continued economic development in the Western world but also from the estimates of possibilities for growth in the other CEMA countries, which have predicted a slowdown for the 1981-1985 period.

The following reasons argue against the accomplishment of these goals:

The scheduled expansion of the foreign trade volume cannot be realized — at least in trade with the West;

The planned rate of production growth cannot be reached without a substantial rehabilitation of the production apparatus; but the scheduled level of investment is too low for this;

The directive concerning the drafting of the 1981 Economic Plan is even more forceful than before in assigning a special role to the working people, to their resolve and initiative. But a greater willingness to produce can scarcely be expected if improvements in supply remain so far behind increases in production.

Those who set the plan targets for foreign trade apparently overlooked the fact that tendencies toward recession have the upper hand in the most important Western industrialized countries. Given this situation, exports to the West are more likely to decline than to expand substantially. Even maintaining the present volume -- if that -- will be possible only through major price concessions. Doubts already exist as to whether exports of agricultural products, consumer goods and base materials are at all profitable considering present production costs. Those in charge of the GDR economy have themselves repeatedly suggested that "foreign exchange profitability" be examined. A determination of profitability must also take into account the world market price, not the internal CEMA clearing price; this is at least true for those exported products whose production requires raw materials that mostly have to be procured in the West. Additional price concessions occasioned by the forcing of exports to the West would further exacerbate the problems that exist in this area.

The planning order and the Politburo report to the 13th SED Central Committee Plenum reveal that the planned growth rate is based on a strategy that intends to make exhaustive use of the possibilities offered by modern technology. Priority areas of development are to be microelectronics, robot technology, metal-refining technology and coal-processing. This means a substantial rehabilitation of the production apparatus that would certainly be desirable but cannot be done with a level of investments that is beginning to decline. For Western countries at least, a close connection can be demonstrated between productivity advances and the investment level. Moreover, the GDR is faced with a greater need than the FRG to conserve energy. And this, too, is impossible in the absence of substantial investments.

The fact of living standards lagging behind economic growth will make matters worse when it comes to motivating the labor force. It is precisely when the "creativity of the working people" is so highly esteemed that the importance of adequate supply must not be underestimated, especially because planned growth also makes it necessary for the individual to work harder.

Given these considerations, it is consequently more than doubtful that the objectives for 1981 can be realized. In any event, they are unsuitable as the basis for a consistent five-year plan.

FOOTNOTES

1. NEUES DEUTSCHLAND, 17/18 January 1981.

2. It is unexplained why the growth rate for industry was not — as it usually is — higher than the rate for the economy as a whole.

3. NEUES DEUTSCHLAND, 10/11 November 1979, p 3.

4. The M 56 billion investment volume listed in the plan fulfillment report does not correspond with this growth rate, however; the amount may refer to the new 1980 price base.

5. Cf Manfred Melzer, Angela Scherzinger, Cord Schwartau: "Is Increased Combine Formation Making the GDR Economic System More Efficient?" VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DES DIW, Vol 4, 1979.

6. Cf "Foreign Economic Burdens Reduce Chances for Growth — On the State of the GDR Economy at the Start of 1981," by Doris Cornelsen, WOCHENBERICHT DES DIW, No 6, 1980.

7. In 1977, statistical reporting on national income and its individual components switched to the price base for 1975. The absolute figures are consequently no longer comparable.

8. Cf BAU [illegible], 6 June 1980.

9. Nevertheless, it must be mentioned that at the Ninth SED Party Congress in 1976 the FDGB had pledged to construct 100,000 more residential units than the planned figure of 750,000.

10. Cf "Joint Resolution of the SED Central Committee, the FDGB Federal Executive Board and the GDR Council of Ministers on the Further Systematic Improvement of Working and Living Conditions for the Working People in the 1976-1980 Period," dated 27 May 1976, NEUES DEUTSCHLAND, 29/30 May 1976.

11. Heinz Vortman, "Increase in Births in the GDR -- Consequence of the 'Baby Year'; Birth Rate Trend and Family Subsidies in the GDR," VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG DES DIW, Vol 3, 1978.

12. Cf "Subsidies Versus Investments -- the Dilemma of the GDR National Budget," by Maria Elisabeth Ruban and Heinz Vortmann, WOCHENBERICHT DES DIW, No 33, 1980.

13. Cf "Supplement to the Order Assigning to Consumer Sectors the Orders To Take Effect Under Scheduled Changes in Industrial Prices," GESETZBLATT DER DDR, Part I, No 19, 1980.

14. NEUES DEUTSCHLAND, 8 July 1980.

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GERMAN DEMOCRATIC REPUBLIC

EARLY SOWING OF SPRING GRAINS URGED TO COVER WINTER DEFICIT

East Berlin NEUE DEUTSCHE BAUERNZEITUNG in German Vol 22 No 5, 30 Jan 81 p 8

[Article by Prof Dr Dieter Ebert, Institute for Grain Research, Bernburg-Hadmersleben: "Full-scale Grain Cultivation--With Proper Selection of Variety and Timely Sowing, the Summer Will Also Bring High Yields"]

[Text] The 13th SED Central Committee session has committed us to holding the grain acreage down to the allocated size. Favorable variety structures have been obtained almost everywhere in recent years. The generally more efficient winter grain normally takes up more than three-fourths of the acreage. Some slight changes occurred in 1980. While winter barley and oats gained some ground, winter wheat and summer barley lost some. To keep such shifts within limits is important.

Last fall, being so wet, prevented some crop enterprises, especially in the northern bezirks, from sowing winter wheat to its full extent. On vacant acreages summer grains must now absolutely be sown. The same applies to acreages where cultures go through the winter. Very important for it is selecting the types and varieties of grain that are most favorable to any given site. Though conditions may be quite uneven from acreage to acreage, the following should be taken into account:

Crop Rotation Observing Where Possible

Where no winter wheat could be drilled, one should primarily cultivate summer wheat. For adequate food-supply wheat must be assured. Furthermore, under such conditions one need not alter the crop rotation. The Rena and Ador varieties are most suitable. Rena is an intensive type doing well on loess and V sites. Last year, Ador was sown. It brings high and stable yields on D sites. Since there it surpasses Hatri, that variety is no longer recommended for sowing.

Summer wheat likes timely sowing. If the soil an be worked, one should immediately prepare it carefully and drill wheat in February. Production norms provide for a sowing strength of from 400 to 500 kernels per square meter. It has been found useful to make more specific these centrally prepared parameters in accordance with local conditions and experiences. Admixture of nitrogen calls for from 120 to 160 kg per hectare and should be applied, in conformity with ADP fertilization recommendations, in two applications. To avoid time loss in sowing, even the first nitrogen application should come as top dressing, preferably applied from airplanes.

During vegetation, summer wheat is treated like winter wheat. Mechanical treatment by harrow and comb is recommended. Weeding obviates the need for a targeted use of herbicides. We must absolutely pay attention to the "pertinent advice on the use of stalk stabilizers." For example, Ador only has an average steadiness. Therefore, on the better D sites, after a good preparatory fruit and crop development, CCC treatment is indispensable. One should even now think of the harvest and take into account that summer wheat ripens relatively late.

A Firm Bed for the Barley

Summer barley deserves still more attention than last year from the economic and enterprise management points of view. In 1980, when sown early, well fertilized and cultivated, it often yielded 60 dead weight tons of kernels per hectare. This type of grain, moreover, thanks to its brief vegetation period and fine compatibility, allows crop rotation adjustment. Usually that is below the sugar beets and the winter grain but should not be below the oats.

Seedgood in efficient varieties is amply available. That applies as much to brewery barley as to live-stock feed barley. Last year, three new varieties stood up well, Lada, a demanding and steady variety, is good for loess and V sites. Gerlinde makes medium demands and is good for loess and D sites. Grit is quite accommodating and belongs on D and V sites. Then there further are Mirena and Consista available. Mirena does well even in trnasitional locations and on light diluvial soils. Consista deserves preference on better sites.

Relative Yields of Summer Grain in Different Sowing Periods at Koetschau, rural Kreis Weimar

Sowing Period	Summer wheat	Summer barley	Oats
22.3	100	100	100
31.1	90	95	95
10.4	85	90	90
15.4	78	90	76
5.5	49	71	66

What makes this spring different is that there are quite a number of acreages that have not yet been plowed. That makes high demands on labor organization and dedication. However beneficial timely sowing, rapid and within deadlines, may be, it should lead to no curtailment in qualities. Mainly summer barley and oats need clean and firm seed beds. It might become necessary to roll acres on better sites before or after drilling. Depending on the soil quality, early fruit and seeding periods, from 300 to 380 kernels per square meter are drilled on the individual acreages. Such seeding strength normally is enough for getting the thickness of crops needed for high yields.

Oats Has Its Share

In general, we advise against further expanding the cultivation of oats. Having a fairly high percentage of glumes, this type of grain is harder to use in mixed fodder. On the other hand, it can be nicely correlated with the crop rotation.

The Romulus, Leanda and Solidor varieties are used. Solidor is doing well on all acreages and is recommended for all sites, except very light soils remote from ground water and in mountains. Sowing strengths of from 350 to 425 kernels per square meter insure good germination and vegetation stocks. Timely sowing also is crucial, in March. Barley respondswell to combining mechanical cultivation with chemical anti-weeding measures. One must remember that it ripens late.

He who makes use of the advantages of all summer grain varieties, according to their sites and cultivation conditions, is well advised. Any one-sided selection of types or varieties may cause labor peaks topping the already existing ones, especially during the harvest. The need to produce more food-supply grain, especially wheat, urges careful early fruit selection. Thereby one can effectively prevent any undesirable proliferation and weeds.

Sowing proper as to deadlines and qualities remains a priority. Any day of delay will minimize chances for high yields. That has been shown by longtime experience and experimentation. The values recorded for Koetschau, rural Kreis Weimar, show how sensitive summer grain is in comparison with April cultivation. Whereas barley shows strong losses even on advantageous sites not until late in April, it reacts much more vehemently to not so favorable conditions and to being sown later.

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WINTER SHORTAGES OF VEGETABLES, FRUITS REPORTED

Erfurt DAS VOLK in German 16 Dec 80 p 3

[Interview with Comrade Karl-Heinz Jung, chief director, Economic Association for Fruits, Vegetables and Potatoes, Erfurt; by R. Werner: "Do We Have Sufficient Supplies of Vitamin-rich Foods?"]

[Text] [Question] Vegetable production was poor this year. Do we none the less have some supplies for the winter?

[Answer] True, the weather has caused the gardeners and cooperative farmers some trouble. And the processing industry and commerce as well. If any larger volumes in vegetable varieties were harvested, they had to be canned, or sold, at short shrift. Only think of the cauliflower. There was damage there due also to the sudden winter weather in the first week in November. That was also true of other cabbage and vegetable varieties, but much of that could still be processes in the last few weeks or sold fresh. Heat-loving cultures like beans and cucumber showed great losses even during the summer months. In terms of volumes our vegetable supplies are smaller, but through good storage management we shall hold the supply level of last year. In onions and carrots, our supplies are better. Some 15,500 tons of apples in storage will equal the supply of last year.

[Question] One more point about the early winter: what could still be used up of the crop and what must be counted among stored supplies?

[Answer] Almost all enterprises extended their season, which demonstrates their economic understanding. An additional 1,500 tons of red cabbage and 1,100 tons of white cabbage were canned, and sauerkraut was too. In the case of Brussels sprouts, there have meanwhile been produced 1,000 tons of sterile tins and 200 tons of fine frost vegetables. Circa 100 hectares are still in the field for fresh supplies until the late January. Of the apples that were damaged by frost, the Gruessen enterprise alone processes 750 tons of apple juice weekly.

[Question] That probably also includes the efforts to boost vegetable production in the first half of the year?

[Answer] Together with the agricultural enterprises in our beairk we have adopted as our target in the first half of the year to produce 16,300 tons of hothouse and fresh vegetable. To achieve that, 100 hectare of early vegetable have been placed under tinfoil. And 21.5 million early plants are potted, which also moves the harvest deadline ahead. And then there also are competition projects on an energy-conscious boosting of hothouse and early vegetable production in greenhouses or under glass and foil. On 58 hectare we have viper's grass, on 25, leek, on 220, spinach in the field. Then we have 42 hectare of a summer crop in early spring onions. Altogether a good starting position for a supply level in fruits and vegetables appropriate to the party congress year.

[Question] And what can still be added about our supplies for the holidays?

[Answer] We have had a full assortments of baking ingredients for weeks. Vegetable supplies are adequate at present. We expect the same supply level as last year in tropical fruit, especially oranges. The same holds true for nuts. Everyone thus will find an adequate supply of vitamins for his holiday roast.

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CSO: 2300

FARMERS COMPLAIN OF BUREAUCRATIC LEGACY OF GIEREK

Helsinki HELSINGIN SANOMAT in Finnish 9 Feb 81 p 19

[Article by Kaija Virta]

> [Text] Polish farmers feel that the end of the 1970's was one of the toughest postwar periods.

Rzeszow (HS)—Augustyn Jopek farms his 3 hectares in the winding hills bordering on the village of Kielnarow in the southeastern corner of Poland. In terms of means, he does not quite represent the average Polish farmer, but he is nevertheless typical. Poland is the only country in Europe in which over a fourth of the tillable land is occupied by small farms under 5 hectares in size, and certainly the only socialist state in which three-fourths of the land is owned by private individuals.

We chose Augustyn's farm at random when, as we were driving by, we saw the owner in the yard getting his slant-sided wagons into running order. As farmers often are, he was a bit suspicious and looked at strangers askance, preferring not to divulge exact figures on his earnings of the volume of his production that he sells to the state.

Price of Wheat — and Coal

In addition to the fact that the last few harvests have been exceptionally poor here as elsewhere in Poland, Augustyn Jopek complained about the state purchasing center's low prices. They pay 500 zlotys for 100 kg of wheat, the equivalent of what the average industrial worker earns in a couple of days. (At the official rate, a zloty is worth about 12 pennies.)

On the other hand, part of a farmer's social security and his acquisitions of goods depend on how much of what he produces he sells to the state. If Augustyn wants to buy a ton of coal on the official market, he first has to sell the state three pigs.

To Augustyn, the so-called Farm Syndicates, the cooperative private farmers are free to join but are encouraged to do so by the government and which theoretically should be founded on rural self-government, is "they."

"It's hard to get equipment from them; they keep everything for themselves," he said.

And what does he think of the private farmers' unofficial new association, Rural Solidarity? "We don't have one in our village yet," Augustyn evasively replied. Yet Kielnarow is only a few tens of kilometers from Rzeszow, one of the Rural Solidarity's main locations.

Key Factors in the Crisis

Political leaders, the wage-earners Solidarity Movement and the farmers themselves agree that farming is one of Poland's key social development problems. The food crisis was the direct cause of worker mobility in 1970 and 1976 as well as during the big uprising in the summer of 1980.

The current tense atmosphere is intensifying a record difficult situation in many farm sectors. Last year's overall prpduction is estimated to have been 10 percent lower than the previous year's. Eleven kg of meat less per capita is being produced in 1981 than in 1980.

However, basic food production prospects are not poor in all respects. Poland has as much tillable land per inhabitant as Denmark and more tractors per 100 tillable hectares than any other socialist country as well. Over a fifth of the population is employed in farming.

Farmers' Best Time

Many of the peculiar characteristics of Polish agriculture are inseparably associated with the country's postwar political history.

Last fall a rural development and farm research institute that operates in Warsaw asked farmers what, from their point of view, was the best time for them in the recent past and what was the worst. They in general felt that three periods were best for them: the 4 postwar reconstruction years, Wladyslaw Gomulka's early term in office from 1956 through the early 1960's and Edward Gierek's first term from 1971 to 1975. They considered the forced collectivization period from 1948 to 1956 to be a more difficult time and, somewhat surprisingly, the last half of the 1970's.

Before the war, ownership of the land was very concentrated. One percent of the landowners controlled almost half of the country's land. After the war, farms over 100 hectares in size were distributed among small farmers and landless farmers. Land reform benefited over a million families, a third of the entire then-existing farm population.

The first basic farm-policy program, drawn up in 1948, set as its objective the founding of collective farms or production cooperatives.

Warsaw Research Institute Prof Dzyma Galaj told us that farmers were with particularly harsh practices pressured into joining collective farms. The state levied high taxes on large landowners and demanded obligatory food shipments. Many of them got into debt up to their ears with the state and they were promised that their debts would be canceled if they joined cooperatives. The alternative was debtors' prison.

Pressure was also particularly directed against the poorest landowners in those areas obtained from Germany, who did not have the means to buy equipment or even a horse.

"So the collective farms collected either people incapable of assuming the initiative and lacking in energy or dissatisfied former large landowners who had lost their wealth," Galaj said. The result was the passivization of farmers and a noticeable drop in farm production.

Collective Farms Broken Up

In October 1956 when Gomulka became party chairman, joining collectives and remaining in them was made a completely voluntary affair. Nine thousand of the 10,000 collective farms founded up to that time were again broken down into private farms.

The Gomulka government raised farm production prices. Food production started to rise, but in the second half of the 1960's it slowed down. According to Galaj, the reason for this was that the state directed its investments more into industry than before or into the state farms and away from private farms.

Gierek's rise to power marked the start of a new and favorable period for private farmers. Obligatory shipments of meat, grain and other products to state purchasing centers were terminated. The oppressive progressive land tax, based on the size of the farm, was also abandoned. Social security for private farmers was improved. Along with the rest of the population, they got to enjoy the benefits of free health care, among others. Favorable weather speeded up the increase in production even more.

After a few years time, the Gierek party leadership's interest in farmers waned. From year to year less and less was invested in farming and it became harder to get fertilizers, farm equipment and coal. During the past 3 years bad weather worsened the situation. Production declined, farm family earnings dropped and rural population unemployment rose.

One of the unfavorable turns matters took in the 1970's — and also one of the current reasons for farmer mobility — was the bureaucratization of the Farm Syndicates.

Originally, the Farm Syndicates were not a product of the socialist society. Polish farmers had already founded such voluntary associations to facilitate the acquisition of farm equipment in the last century and to an even greater extent between the [two] wars. Gomulka reopened the syndicates in 1956 and they were charged with becoming fully independent farm producers, self-governing bodies. The operations area of a syndicate was generally one village and it was managed by a board of directors chosen by the village farmers.

In the 1970's the organization was changed. Farm Syndicates consisting of from 20 to 30 villages were put together into cooperatives whose managements regulated equipment and other services, such as construction aid and farm instruction, for all member syndicates. This central cooperative in addition administered its own socialized farm.

"In these cooperatives, the farmers had no say," Professor Galaj said. "The director and the bureaucracy made the decisions in them. At present this organization is caught up in a particularly severe crisis since the farmers have lost their faith in it and want to found their own organizations."

About 80 percent of all private farmers belong to the Farm Syndicates.

From the standpoint of farmers' opportunities for influencing them, what sort of national Farm Syndicates central governing body there has been is especially important. At the same time the syndicates were gathered into collectives, the assistant minister of agriculture was appointed to head their confederation. In Galaj's opinion, this was suggestive: "The syndicates ceased to be a farmers organization. They became a state organization subordinated to the ministry."

Mistrust Slows Things Down

Farm policy vacillations have in part reduced private farmers' readiness to cooperate with one another and to modernize production systems. The farmers feel that it is safer to avoid major economic risks. Since goods shipments are irregular, farmers prefer to produce, as they used to, a little of every kind [of produce] rather than switch to specialization backed by the administration, which would increase their dependency on the outside.

The age range of the farm population does not favor modernization either. Only every fifth farmer is under 40 and every third is already over 60.

In addition, young farmers have trouble finding wives for themselves. There are too few young women in rural areas and a private farmer is rated lower on the marriage market than a state farm worker.

Collective and state farm workers' income level is almost as high as that of city workers, whereas the standard of living of a private farmer's family is at least a fifth less than that.

Kazimierz Dziki, the manager of the Gmina Ropczyca State Farm located near the west side of Rzeszow, enumerated the benefits his workers enjoy: an average monthly wage of 5,700 zlotys in addition to free housing, an 8-hour workday, a 50 to 100-percent supplement for overtime, a daily liter of free milk plus a half a liter per family member, 26 days of vacation a year, free work clothes and cleaning materials, a free 25-are parcel of their own...

The tillable area of the Ropczyca farm amounts to almost 600 hectares. In addition to grain, they grow potatoes, sugar beets and rape. They have over 500 cows in their barns.

Small industry, for example, a sawmill or fruit-processing plant, often raises the income of the socialized farms. The Ropczyca farm has its own brewery.

Manager's Memories

Genial manager Dziki has a long view of the history of this farm which was founded in 1944. He watched Goring and von Paulus march through the village of Ropczyca to the east and can tell you that near the farm there was a testing range for German weapons designer Wernher von Braun's V-2 rockets during the war. Dziki became manager of the farm in 1956.

When I asked him what in his opinion Poland's chief farm problems were at the present time, he smiled a smile that spoke worlds:

"Nic nowego, nothing new. Shipments, equipment."

Most of the farm's 42 workers belong to the wage-earners' Solidarity Trade Union. In the machine shop a young man who works as a blacksmith and has been on the farm for 5 years said he agreed with that, smiling and shrugging his shoulders:

"Things could be better!"

An older man who was working nearby remained in the old trade union "because one doesn't know how this will all end." But he maintained that it was a good thing that there were several trade unions.

Without hesitation, both of them said they supported legalization of the Rural Solidarity.

Productivity Differences

The overall per-hectare yield of Poland's approximately 9,000 socialized farms is a little bigger than that of its 3 million private farms. But the picture changes when we examine the so-called pure yield which takes into account funds used to achieve production, such as feed, seed, fertilizers and equipment.

In November Planning Commission vice chairman Jerzy Maciak told the Polish Parliament about a study on this pure yield which was made in Lublin Province. According to Maciak, the results more or less correspond to conditions elsewhere in the country too.

The study showed that the pure annual production value per hectare was 15,000 zlotys on private farms and 4,000 zlotys on state farms. On cooperative farms and Farm Syndicates cooperative farms the figures shifted to a loss of 7,000 zlotys.

In the making in the economic reform program is a promise to sizably increase state support for private farms. Opportunities for farmers to buy more land will be improved on and protection for landowners strengthened. It is thus asserted that private ownership of land is a permanent feature of Polish socialism.

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AGRICULTURAL MACHINERY SUPPLY PROBLEMS DISCUSSED

Agricultural Machinery Production

Warsaw DZIENNIK LUDOWY in Polish 9 Feb 81 p 3

[Article by Lucjan Dmowski: "Revival in the Agricultural Machine Industry]

[Text] Different Currents in the Same River

"Agriculture is one." Who of us does not know this slogan? It has been particularly bandied about at times when it was necessary to mobilize individual farmers to increase their efforts in the field or in the cowbarns. However, this slogan contains a sort of double meaning in its content.

In its first meaning, well known through the authorities, it was to confirm their good will in dealing with various sectors of agriculture, as if all of us had the same rights and obligations and that the state takes care of the PGR [State Farms], the production cooperatives and individual farmers in the same way, and in a similar way it assures all sectors of the means of production.

However, from the side of the farmers the slogan sounds like a kind of protest that there is no equality, that the needs of the individual farmers are treated rather harshly, and that agriculture is not something which should be one.

How Has It Been?

Let us investigate this, using the production of machinery for agriculture as an example.

Our agricultural machinery industry, the development of which has cost all of society more than a little effort, has recently been flowing in a rather broad bed like an unregulated river. However, the velocities of the current were even worse, extremely different in magnitude.

Its upper layer, representing the production of heavy combine machinery, burst ahead at the definitely fastest rate and was clearly stimulated in this course. The results obviously carried a broad stream to the state farms, the production cooperatives and the SKR [Agricultural Circles' Cooperatives], because only there was it possible to perceive the levers of the mechanism raising agriculture to a high level, to a kind of peak where extensive farming and heavy machinery played a basic role.

The level of products intended for individual agriculture flowed with a considerably slower current in this production river. This was accompanied by many journalistic protests, consciously calling attention to the fact that 70 percent of our acreage consists of smaller or larger individual farms, and that agricultural machinery of medium size, most suited to these farms, was clearly downgraded by our decision-makers and manufacturers.

There is nothing more to say about forks, sythes or chains. Their production was completely marginal. This happened despite alarming signals from the countryside that these very tools, very important ones, barely constituted the bottom of the productive stream: a layer of slow and sluggish production, restricted by the holes and boulders of occasionally purposely introduced barriers.

What Life Dictates

Therefore it is not strange that such authoritative assumptions in dealing with the needs of different sectors of our agriculture have led peasants to despair, although apparently everything was going well and we were on the rise. So, in this context, let us not be surprised today by the farmers' protests, even very extreme ones. They are simply a reaction to many enterprises like those of previous periods, enterprises extremely different from the generally uttered slogans and clearly detrimental to the most important sector of our agriculture with respect to production.

But life itself corrected what was in the ideas of our decision-makers through the amazingly entangled structure which spared no expense.

It was simply the shortages in supplying the people with food which made it necessary to think seriously about the market.

The concept of "market" is also understood in two ways in our country.

For the citizen it is generally the greater or lesser supply of goods on shop shelves: food and industrial products. On the other hand, for the factory it constitutes the part of production intended for individual customers.

From the agricultural machine industry the individual customer primarily required the machinery and tools whose production has so far flowed in the average or even stagnating current, medium-sized tools and even very simple ones.

The Beginning of the New

Thus a process began, perhaps not even clearly visible today, but offering the hope that something will budge, that something will change for the better, and that after a couple of years our farmers will have previously unattainable equipment at their disposal.

The trend toward better and better satisfaction of needs in this particular field can already be clearly seen in the structure of future plans, shortly to be compulsory on all agricultural equipment factories. In these plans we can clearly see a deceleration of the previously rapid current of heavy and combine machine production in favor of accelerating the production of medium-sized machinery and simple machinery intended for private farms.

We journalists are trying to follow this phenomenon and flag it.

For example, in the reporting found not long ago in the columns of DZIENNIK LUDOWY from a factory in Strzelce Opolskie, I tried to show the great efforts made by local workers and technicians to shift production lines to new courses, from the hitherto large number of combines manufactured to considerably more demanded potato elevator-digging machines.

In addition this phenomenon is characteristic at present of almost all factories producing agricultural equipment in Poland. Confirmation of this exact trend is found in production plans for the current year worked out in the "agromet" Association of the Agricultural Machinery Industry.

With Director Eng Stanislaw Rubaj we penetrated a multitude of numbers. They constitute task proposals for individual factories. Last year brought the beginning of the new one, and this year is clearly setting the basis for directions of change. Production of medium-sized and simple machinery will increase an average of 25 percent and more, which arouses the hope that we are becoming the witnesses of a rather uncommon phenomenon in our country: the appearance in stores of machines really desired by the farmers.

The Near-Future Outlook

For example, in comparison to last year the production of hay-making machines is to double, from 8,000 to 16,000.

Factories will produce 50 percent more harrowers desired by farmers than last year.

Fertilizer spreaders attached to tractors will increase by 70 percent, and there will be 40 percent more manure spreaders.

The number of horse-drawn sowing machines will reach the level of 11,000 (in comparison to 7,000 last year). There will be 10,000 binding machines manufactured, 3,500 more than last year.

Sales for farmers will include 13,000 potato elevator-digging machines and 10,000 horse-drawn potato digging machines. The number of coal-burning steaming plants will increase from 130,000 to 160,000, which is expected to completely satisfy the needs.

Tractor-drawn sowing machines are expected to completely cover the needs, 10,000 for the "market" only, i.e., buyers from the private sector.

There will also be 10,000 (instead of the 7,000 of last year) blade mowers manufactured.

The production of rotary mowers will increase from 3,900 to 4,200, and one-axle trailers will increase from 8,300 to 10,000. On the other hand there will be a drop in the production of combine-harvesters from 4,600 last year to 4,200 this year. The number of potato combines produced will also diminish.

In my opinion these examples confirm the fact that something is really changing for the better in our agricultural machinery industry.

In the Eye of the Manufacturer

At the present time factories in Grudziadz, Poznan, Strzelce Opolskie and many other cities are preparing for the new tasks, increasing the production of machinery for private agriculture. Even Plock, known to us so far for its combine-harvesters, is aiming at additional production of fork hay-making machines and floor driers.

Along with this work will continue on uncovering plans which were once put on the shelf. It is hoped that designs once developed for various machines, i.e., for gardening, can be brought to the light of day from beneath layers of dust. These steps are being taken in the Industrial Institute of Agricultural Machinery in Poznan and in many design offices in individual factories.

Conversations and meetings are also continuing for the purpose of developing interest in the production of agricultural machinery and tools, or at least the manufacture of their elements, in state factories and even craft shops, which have had nothing in common in this type of production in the past.

We simply wish to see to it that all factories which have unused production capacity are interested in the possibility of manufacturing machinery, tools and elements for them for agriculture.

Gauging

Throughout February discussions, anticipated to be creative and lively, will be continued in agricultural machinery factories on the execution of production plans.

I asked the Director of "Agromet", Eng Stanislaw Rubaj, "what are the possible barriers which can prevent the realization of new and valuable initiatives which have the final goal of improving the supply of the most indispensable mechanical equipment for agriculture?"

In his reply he mentioned three such obstacles. First are possible shortages in materials resulting from deficiencies in centrally distributed products, such as sheet metal or rolled products. Secondly, cooperative imports from the II payments area [capitalist countries] create great risks. This is because our agricultural machinery requires many elements, especially of chemical origin, which we must buy for foreign exchange. Third and last, new principles of cooperation between enterprises create a certain type of obstacle difficult to overcome.

Survey of Dangers

At the present time every director in Poland flaunts Resolution No 118 of the Council of Ministers of 17 November 1980. This is the basis of the so-called small reform in the functioning of our enterprises in the very near future. Its assumption and one of the most fundamental purposes is, within the framework of the revival, to begin to produce domestically the products which are actually most necessary for us and, along with this, to indicate how this should be done under the new conditions.

In the past everything in production plants was absolutely clear and simple, although wrong results were often achieved. Administration became a system of common authoritative orders, often in opposition with each other. Now, within the framework of the small systems reform, it is desirable to introduce incentives and stimuli for production. But this in turn is associated, among other things, with cooperative bonds more favorable than in the past among individual factories.

This will be so-called level cooperation, in which the cooperators need not submit their tasks to the guidance of a higher level. It is simply necessary to establish closer relations between the factory and the cooperator by means of direct agreements on supplying pertinent parts within a definite time.

Transient (?) Problems

At the present time factories are having a real headache with the procedure based on concluding direct agreements with cooperators, since no one in our country is properly prepared for these types of agreements. After all, these relations are more reminiscent of matters binding individual companies in the capitalist world than of the functioning of what we would previously have conventionally called a socialist enterprise, functioning mainly by allocations and commands imposed from above.

Thus for the present the activity of factories and cooperators is lost in the new system. Piecemeal foreign currency from the West can fill this gap. These are our national limitations: insufficient allocations of steel and other regulated products, disruptions in the supply of current, and a lack of manpower.

We are writing about this to stress the fact that at this time it is not only the countryside which has serious problems associated with a renewal of animation and with the type of production. Industry also has many difficult matters to solve. However, the most important matter is that in this apparent confusion something really new and providing opportunities to escape from the impasse is generated in our country.

Spare Parts, Repairs

Warsaw TRYBUNA LUDU in Polish 17 Feb 81 pp 1, 5

[Article by Ew.: Spring Agriculture Faces Necessary Parts as Well as New Machinery]

> [Text] (Our Own Information) Since early last autumn the agricultural machinery industry and the chemical industry have been declaring a "switch" of production in order to satisfy the real and most urgent needs of agriculture.

Unfortunately between promises and practice there are constant gaps about what is most urgent, what can be done most cheaply, and what can give farmers support in a relatively short time.

Such unusually necessary production would be spare parts for agricultural machinery, the lack of which immobilizes many more machines than factories could possibly produce. This reckoning alone commands: first parts, then complete equipment. At the same time the situation with respect to suppliers of parts indispensable for repairs is worse than a year ago, and the agricultural machinery stock ready for spring work is at a much lower level than at this time last year.

More Machinery for Repairs

During this repair season more machines require repair in almost every type of equipment. For example, 15 percent more combine-harvesters are being sent for repairs, 20 percent more pressing machines and 21 percent more sowing machines.

Equipment could not help suffering more under the difficult conditions predominating last year. We already knew about the increase in repair needs in summer. This also led to some adjustment in the distribution of repair tasks. User workshops (PGR [State Farms], RSP [Agricultural Producer Cooperatives] and SKR [Agricultural Circles' Cooperatives]) took on the repairs of a larger number of simple machines. The POM [State (Agricultural) Machine Stations] had to deal with repairs for tractors, combines, mowers, etc. On the organizational side, the recognition of needs, everything was facilitated according to general principles. This referred only to the parts indispensable for repairing elements. Despite the forecasts and despite the obligations for things to be better, they are worse. Approximately 20-25 percent fewer machines have been repaired on the average than last year.

Throughout the entire winter they managed to repair only enough tractors that at present the state of readiness is estimated at approximately 79 percent. This is approximately 2 percent less than a year ago and means that approximately 40,000 tractors will be inoperative. Scarcely 77 percent of the sprayers are ready, equipment extremely important in spring. Some 10,000 lime spreaders are standing idle, and only 74 percent of them are ready.

Thus the balance is pessimistic, and all indicators are worse than a year ago. The fear that the machines will not be ready on time is completely justified.

The shortage of parts for repairing tractors is especially severe. There are no crankshafts, bushings or pistons. The situation with respect to tires is fatal.

At this point there is no way of not asking: just how are things in the agricultural priority, in the adoption of production most necessary and most effective from the point of view of agricultural needs, and from the viewpoint of harvests this year and in future years?

Naturally there are examples of factories which have transferred part of their capacity to the production of the most needed equipment. They have literally undertaken the manufacture of machinery for private agriculture. This has happened, for example, in the Harvesting Machinery Factory in Poznan. The plan of producing self-propelled straw-cutters was reduced from 310 and from 320, and instead the crew is producing more binders needed on small farms. In the Brzeg factory, the production of diggers, equipment which is also more sought after by private farmers, is being increased at the cost of single-row and two-row combines.

In the question of spare parts, on the other hand, the matter cannot budge from its position. Theoretically the sequence should be: spare parts, machinery for peasant farms and, thirdly, machines of a high degree of specialization. However, the practice is that the final product is always more welcome and more profitable, and factories are held responsible and graded for complete products, despite needs and despite sound reasoning.

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ROMANIA VIEWS IMPORTANCE OF TRADE WITH SOCIALIST COUNTRIES

Bucharest REVISTA ECONOMICA in Romanian No 7, 13 Feb 81 pp 11-13

/Article by Prof Dr Constantin Moisuc: "Extensive Collaboration with Socialist Countries Emphasized in Romania's Foreign Economic Relations"/

/Text/ Socialist Romania attaches primary importance to its economic collaboration with the socialist countries as part of the RCP's general strategy of exploiting and enhacing domestic developmental resources through international economic exchanges.

Foreign Economic Exchanges and Developmental Strategy

The development of a modern economy is increasingly dependent upon a nation's participation in the international division of labor, and foreign economic relations are changing from an exogenous to an endogenous factor of economic growth, quantitatively or qualitatively reinforcing the other factors for growth (manpower, investments, technical progress, natural resources etc.). In view of the critical importance of the foreign economic exchanges to construction of the fully developed socialist society in Romania, the party and state attach strategic importance to Romania's participation in international economic collaboration. As it says in the RCP program, "The party proceeds from the fact that expanded economic exchanges with other states, production in cooperation with them, and active participation in the international division of labor are inseparable from every nation's development. They are also objective necessities for Romania's socioeconomic progress. Therefore the party will take steps to expand economic relations and cooperation in production, science and technology with other nations." (1) Romania's active and efficient participation in international economic collaboration is a basic aim of the party's and state's economic policy, reflecting on this level as well the dialectical unity between Romania's domestic and foreign policies.

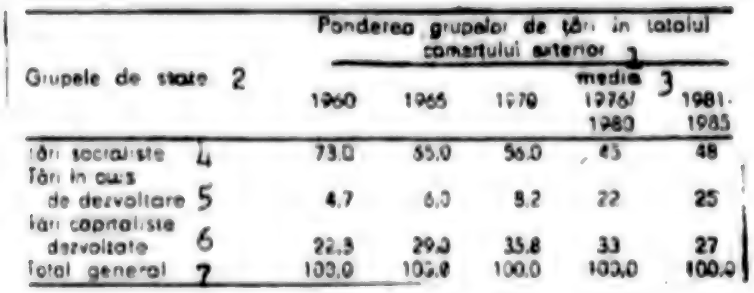
The nation's level of economic development, degree of industrialization, better use of all material and human resources, modernization of its economic structures and all-around promotion of technical progress are critical if it is to enjoy the advantages of participation in the world economic cycle. Experience tells us that development of the nation's productive forces makes it necessary and possible for it to share favorably in the international division of labor. A progressive national economy and diversified production on a high technical level are basic objective necessities for active and efficient participation in the world economic cycle and the international echange of values. In its turn participation in the international division of labor can reinforce internal efforts and expedite economic growth and diversification on a high level of economic effectiveness. As it says in the Report to the 12th RCP Congress, "The basic aims of the next five-year plan are Romania's active and efficient participation in the international division of labor, intensified cooperation in production, science and technology, a favorable balance of payments and consolidation of the nation's foreign exchange reserves." (2) The interdependence between steady development of the national economy and participation in the international division of labor ultimately reflects the relationship between the national and the international in economic collaboration in the world of today. The figures show the more developed a country is the greater are its needs and possibilities for efficient participation in the worldwide division of labor, and Romania's experience bears out this correlation. As its economy develops, Romania expands and diversifies its economic exchanges with other states, exploiting the advantages of active participation in international economic collaboration.

Socialist Countries' Position in the General Structure of Romania's Economic Relations

Romania's policy of extensive international economic collaboration is manifested in development of economic exchanges with all states regardless of their level of economic development, economic potential, social system or geographic position, on the principles of respect for national sovereignty and independence, noninterference in internal affairs, and collaboration and cooperation on the basis of mutual benefit and full equality of rights. The realities of the world of today, which bear witness to the heterogeneous (in the foregoing respects) nature of the world economy, have made it necessary for economic policy to reflect the differences in the nature and forms of collaboration with various states. The present-day world is composed of socialist countries, capitalist countries and countries that have gained their political independence and state sovereignty and are fighting to win their economic independence and to remedy the underdevelopment inherited from foreign domination and exploitation, some of them having developmental programs and a socialist orientation. As it says in the Directives Ratified by the 12th RCP Congress,"A highly important part in Romania's rapid socioeconomic development will be played by its intensified collaboration and cooperation with the socialist countries, the developing countries and all states of the world including the developed capitalist countries, by further expansion of its trade exchanges and cooperation in production and the technical-scientific field, and by continuing improvement of its entire foreign trade." (3) Following a policy of extensive international economic collaboration, Romania is developing economic exchanges in accordance with the goals set by the party and state in the light of the fact that Romania is both a socialist country and a developing country and that its economic exchanges must also reflect the universal nature of the international division of labor.

As Table 1 indicates, most of Romania's foreign economic exchanges are with the socialist countries, reflecting Romania's main orientation toward development of the new kind of relations that socialism is expected to promote. Moreover this evolution of the proportion of trade with the socialist countries is characteristic of all the socialist countries, in the sense that the volume of foreign economic exchanges among the socialist countires has steadily increased (See Table 2). The relative reduction (of the proportion) of the socialist countries' reciprocal trade in the total foreign trade of each socialist country is to be correlated with development of economic exchanges with the developing countries. Actually in the last two decades Romania's foreign trade with the developing countries increased at an average annual rate of over 24 percent, which was reflected in the gain in those countries' share in Romanian foreign trade from 4.7 percent in 1960 to about 22 percent in 1980, with a trend toward further growth. This evolution was due to the appearance of new independent states with which we have developed economic collaboration and to intensification of the exchanges with these states as the Romanian economic potential grew and the policy of industrialization and independent development was pursued in these developing countries. But the reduction in the socialist countries' share in Romanian foreign trade is relative, because absolutely trade with these states increased rapidly, averaging a gain of nearly 10 percent a year. Relations with the capitalist countries also showed a favorable evolution because of the great technical-scientific potential of those states, which are in proportions of about 70 percent in world trade, over 95 percent on the financial-foreign exchange market, and about 90 percent on the world market of trade in new technologies. (4) Meanwhile we must bear in mind that the prices in the reciprocal foreign trade among the socialist countries are more stable in comparison with the evolution of prices and inflation in the trade with the nonsocialist countries, as reflected in the value structure of foreign trade according to groups of countries. Note that about 75 percent of Romania's imports of fuels and raw materials are not from the socialist countries but the nonsocialist ones, which has affected the value structure of foreign trade according to groups of countries.

Table 1. Structure of Romania's Foreign Trade According to Groups of Countries (in %)



Grupele de state 2	Ponderea grupelor de ţări în totalul comerţului exterior 1				
	1960	1965	1970	media 3 1976/1980	1981-1985
Ţări socialiste 4	73.0	65.0	56.0	45	48
Ţări în curs de dezvoltare 5	4.7	6.0	8.2	22	25
Ţări capitaliste dezvoltate 6	22.3	29.0	35.8	33	27
Total general 7	100.0	100.0	100.0	100.0	100.0

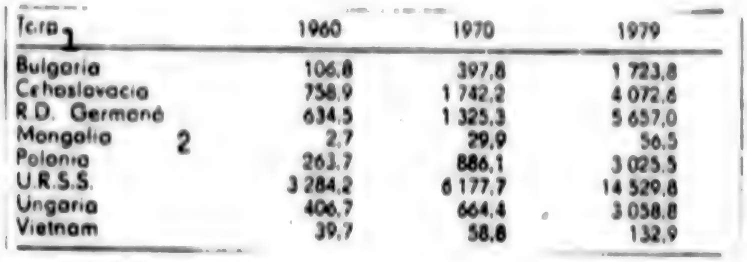
Source: Computed according to Documents of the 12th RCP Congress, Report on Plan Fulfillment in the 1976-1980 Period, and Statistical Yearbook of Romania 1980.

1. Shares of groups of countries in total foreign trade
2. Groups of countries
3. Average
4. Socialist countries
5. Developing countries
6. Develop [illegible]list countries
7. Grand to [illegible]

Motives for Further Collaboration with Socialist Countries

Continuous development of economic collaboration with the socialist countries is a fundamental point in the party's and state's foreign economic policy and part of the program for economic exchanges with foreign countries. As it says in the RCP Program, "Economic relations with the socialist countries and production in cooperation with them will be in the main proportion of Romania's economic relations. We shall make a consistent effort to further expand specialization and cooperation in production with all the socialist countries on behalf of the rapid progress of each one and the general advance of socialism." (5) This priority on Romania's foreign exchanges with all socialist states is based on a number of objective factors that are accurately reflected in Romania's policy of international economic collaboration.

Table 2. Evolution of Romania's Trade Exchanges with Socialist Countries Belonging to CEMA



Țara 1	1960	1970	1979
Bulgaria	106,8	397,8	1 723,8
Cehoslovacia	758,9	1 742,2	4 072,6
R.D. Germană	634,5	1 325,3	5 657,0
Mongolia 2	2,7	29,9	56,5
Polonia	263,7	886,1	3 025,5
U.R.S.S.	3 284,2	6 177,7	14 529,8
Ungaria	406,7	664,4	3 058,8
Vietnam	39,7	58,8	132,9

Source: Statistical Yearbook of Romania, December 1980. Figures are in millions of lei of foreign exchange.

1. Country
2. Bulgaria
   Czechoslovakia
   GDR
   Mongolia
2. Poland
   USSR
   Hungary
   Vietnam

In the first place, we realize that intensification and development of economic collaboration on many levels and in various forms with all the socialist countries is a highly important factor for accelerating each individual country's all-around progress, contributing to reinforcement of internal efforts and exploitation of national resources for development of the productive forces, greater access to scientific-technical advances, improvement of the technical-material base, and finally to the successful and rapid construction of socialism and communism in each socialist country.

In the second place, strengthening and fully developing each individual socialist country mean strengthening the power of socialism as a whole, increasing the proportion of socialist countries in the world economy, and accordingly lending new directions to the evolution of the world economy in general and of the international division of labor in particular.

In the third place, economic and scientific-technical collaboration with the socialist countries on new principles of international collaboration is to reflect in the most direct, specific and verifiable way the establishment of a new kind of international relations unprecedented in history and capable of providing mankind not only with guidelines for reorganizing internal economic systems without exploitation and oppression but also with a practical model for establishing a new, better and more just international economic order based on the principles of national sovereignty and independence, noninterference in internal affairs, mutual benefit and mutual aid. In this way the new kind of collaboration among the socialist countries will demonstrate the unquestionable superiority of socialism both as a form of social organization and as a kind of international relations.

In the fourth place, economic collaboration with the socialist countries can help, alongside the internal efforts, to equalize the socialist countries' levels of economic development, demonstrating thereby that socialism is the only system that can eliminate the economic and technological lags inherited from the past and accordingly provide a worthy example for abolishing economic underdevelopment from the world and ensuring national and international socioeconomic progress.

In the fifth place, economic relations with the socialist countries enjoy favorable conditions thanks to planned coordination of the national economies, which makes it possible to permanently stabilize economic relations serving the purposes specified in the uniform national plans for development of the said countries. Their common system, aims and basic aspirations favor promotion of ways and means of collaboration flowing from the nature on the socialist economy based on equity and mutual advantage.

And finally, the geographic proximity of most of the socialist countries permits extensive international specialization in production and reciprocal delivery of a wide assortment of products at low shipping costs, which also helps to make economic collaboration with the socialist countries more effective.

All these factors objectively affect the rising evolution of Romania's economic collaboration with the socialist countries and the high proportion of the latter in Romania's total foreign economic exchanges. This conclusion is based on the correlation to the effect that the socialist countries account for about 10 percent of world trade but this proportion is over 4 times greater in Romania's foreign trade.

Diversified Economic Collaboration with the Socialist Countries

The forms of economic collaboration with the socialist countries have been extensively diversified in keeping with the economic development of Romania and the other socialist countries, their varied interests on different levels of economic development, and the requirements for the most effective use of economic exchanges to expedite development of the productive forces in the partner countries. Clearly the diversity of ways, means and techniques of collaboration is normal in view of the large number of socialist countries with which Romania has increasingly extensive and comprehensive economic relations. Some of the most widespread forms used by Romania in collaborating with the socialist countries are coordination of the plans for developing the national economies, special programs for long-term collaboration in fields agreed upon by the countries concerned, the CEMA General Program, the long-term (5 years) trade agreements, agreements for cooperation and specialization in production, use of a particular mechanism for setting prices and a system for multilateral clearing, economic organizations for various kinds of economic collaboration, etc. We should point out that all these ways, means and techniques of economic collaboration can and must serve the basic purposes of collaboration, namely development of each country's productive forces and equalization of the developmental levels, the new principles for relations among free, sovereign and independent states, and the socialist nature of each country's system, so that socialism and communism will be constructed rapidly, successfully and for the benifit of every nation and of the cause of world socialism. As Nicolae Ceausescu pointed out, "The forms of collaboration must be based upon the socialist character of each country's productive forces and production relations and must contribute to their generalization and consolidation. They must be in full accord with socialist principles and lead to consolidation of socialist ownership and to emphatic assertion of every people's right to self-determination and mastery of their national resources." (6)

Need of Intensified Economic Exchanges Among Socialist Countries

Economic relations with the socialist countries can and must be further expanded in view of the increasingly developed and diversified economic potential of Romania and the other socialist countries. This expansion is determined by several factors.

In the first place the economy of Romania, as well as that of the other socialist countries, is undergoing a rapid development. A growth rate of about 8-9 percent is provided for the national product in the current five-year plan, and foreign trade will be developed more rapidly (at a rate of about 9-10 percent in real terms). Under these circumstances, if the socialist countries' share is to be increased to 48 percent in 1985 from 40 percent in 1980, Romanian foreign trade with the socialist countries must be developed faster than the general development of Romanian foreign trade.

In the second place, this intensification is also affected by the world economic crisis, which can cause instability and disturbances in the very national economies of the socialist countries, undermining the planned character of socialist economic development.

In the third place, the worldwide energy and raw materials crisis objectively requires the socialist countries to coordinate their efforts in order to make use of the existing natural resources in the socialist countries to meet the substantiated requirements for crude oil, coal, iron ore and other minerals, various metals, petrochemical products etc. as completely and efficiently as possible.

In the fourth place, the Western financial-foreign exchange crisis creates major difficulties in procuring some machines, equipment and installations for free currency that the socialist countries have to import from the West. Expanded economic collaboration among the socialist countries would make efficient use of the great potential of the socialist countries' machine building industries to meet the requirements for complex machines and equipment through reciprocal deliveries, eliminating the expensive imports from third countries.

In the fifth place, the artificial barriers with which the Western countries obstruct the socialist countries' procurement of peak technologies require intensified technical-scientific cooperation and reciprocal deliveries of peak technologies for the socialist countries' needs.

In the sixth place, the international food crisis is being used by some Western countries in order to employ foodstuffs as a means of blackmail and political pressure. Many socialist countries could intensify development of agricultural production both by internal efforts and by international cooperative programs in order to accelerate agricultural production and increase reciprocal deliveries of agricultural food products that are now imported in large quantities from the capitalist countries.

The foregoing, as well as the necessity of full confirmation of the economic superiority of socialism in the world, are objective factors requiring intensified economic exchanges among the socialist countries as a major means of counteracting the bad effects of the international economic crises upon the socialist countries' economies. This further intensification of economic collaboration among the socialist countries will certainly not mean their isolation from the world market, nor will it constitute any collective autarchy. The international division of labor is worldwide and universal, and economic relations can and must be developed with all countries regardless of developmental level, social-political system, geographic position etc. But an extensive and accelerated expansion of trade and cooperation among the socialist countries in the fields of energy, raw materials, metals, complex machinery and equipment, peak technologies etc. is a factor vital to development of the economies of the socialist countries, to their stability in an unstable world economy, and to the advance of socialism in the world.

Romania is ready to study and determine, jointly with the other socialist countries, new opportunities to supplement the provisions on foreign trade and economic cooperation with the other socialist countries and to make full use of the productive capacities in economic exchanges.

FOOTNOTES

1. "RCP Program for Construction of the Fully Developed Socialist Society and for Romania's Advance to Communism," Political Publishing House /PPH/, Bucharest 1975, p 174.
2. Nicolae Ceausescu, "Report to the 12th RCP Congress," PPH, 1979, p 49.
3. "Directives of the 12th RCP Congress on Romania's Socioeconomic Development in the 1981-1985 Period and Long-Range Objectives to 1990," PPH, Bucharest 1979 p 50.
4. WORLD ECONOMIC OUTLOOK, May 1980.
5. "RCP Program for Construction of the Fully Developed Socialist Society and for Romania's Advance to Communism," PPH, Bucharest 1975 pp 174-175.
6. Nicolae Ceausescu, "Speech at the Conclusion of Proceedings of the Conference with Party and State Activists in the Field of Foreign Trade and International Economic Cooperation," PPH, Bucharest 1975, p 14.

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ROMANIA

MINISTER DISCUSSES DEVELOPMENTS IN METALLURGICAL INDUSTRY

Bucharest ROMANIA LIBERA in Romanian 23 Dec 80 pp 1, 3; 26 Dec 80 pp 1, 5

[Interview with Neculai Agachi, minister of the metallurgical industry, by M. Radian]

[Text] [Question] A first question Mister Minister: how did your branch conclude the year and the five-year plan? We're thinking in terms of the initial provisions in the Directives of the 11th Congress, and of those in the Supplementary Program approved by the National Party Conference of 1977.

[Answer] The stage reached by the metallurgical industry in 1980 is reflected in the production increases which we have obtained with respect to 1975, as follows: 36.1 percent for coke, 40.1 percent for cast iron, 40.9 percent for steel, 40.2 percent for finished milled stock, about 30.3 percent for steel pipe, 17.6 percent for aluminum, and 100 percent for aluminum milled stock. We currently produce over 13 million tons of steel, for an average annual rate of development of nearly 10 percent in the metallurgical industry during the five-year plan.

During this period, labor productivity increased by 35.6 percent, being 2.46 times higher than the economy average in 1979; the production increase achieved in 1980 with respect to 1975 has amounted to 22.6 billion lei on the basis of labor productivity growth.

From the tasks outlined in the guidelines and decisions of the National Party Conference of 1977, positive results were obtained in the qualitative technical level of production, the rational management of fuel and energy, and better valorification of raw and other materials, all of which have strongly reduced production costs, and in particular material costs.

Given the stage of construction and the hot and cold tests conducted at many and important objectives planned for the current five-year plan, we believe that the established program for production facilities will be completed.

[Question] How were these results reflected in the production of the branch? We would welcome some comparative data regarding the position of the branch within the national economy.

[Answer] Metallurgy is currently among the first three largest producing branches of the economy.

During this period, new sites were created at Calarasi, Zalau, Beclean, Focsani, Tirgoviste, and Zimnicea; large facilities were developed at Galati (coking plant, high capacity furnaces, the No 3 steel plant with converters and continuous casting installations, the No 2 thick-plate mill, and the high capacity semifinished stock mill); at Hunedoara (new wire mills, and the semifinished stock mill); at Cimpia Turzii (electric steel plant, semifinished stock mill, and new facilities at the wire-drawing plant); at Resita and Otelu-Rosu (semifinished stock mill, electric steel plant, continuous casting installation, and special cross-section mill); at Braila (a intermediate cross-section mill, and the department for calibrated steel in bars and coils); at Tirgoviste (departments for stainless steel sheet and electrical strip); at Buzau (metal cord department); and at Calan (new furnace and coking plant departments). During the same period, we also expanded our capabilities for heating, thermal treatments, adjustments, and so on.

[Question] What products resulted from the tasks assigned by the Directives of the 11th Congress? We would appreciate a few examples of the relative situations of some products in 1975 and 1980.

[Answer] Compared to 1975, steel production has increased by 40.9 percent, currently amounting to 600 kg per inhabitant; from the standpoint of steel production per inhabitant, therefore, Romania places itself in the ranks of nations with a well-developed steel industry. Some comparative figures in this context are 995 kg for Czechoslovakia, 964 kg for Japan, 751 kg for GFR, 681 kg for Canada, 657 kg for Austria, 570 kg for the United States, 563 kg for Russia, 560 kg for Sweden, 422 kg for France, and 422 kg for Italy.

During this period, pipe production increased by 30.3 percent.

[Question] What changes have taken place in the variety of the branch production? Are the needs of the economy, and of machine construction in particular, being better satisfied? Did the higher grades of steel and the valuable varieties of milled products reach the proportion stipulated by the 11th Congress?

[Answer] The development of metallurgy has consistently sought to expand those modern technologic solutions that would concurrently assure a high economic efficiency for production, as well as the fabrication of high quality and diversified products which would better meet the demands of the domestic and foreign markets. During the present five-year plan, starting with the experience gained during the preceding period and with the conditions created by the development of our available material basis, technical progress activities in the metallurgical industry acquired a new magnitude with the goal of implementing the imperatives of the technical-scientific revolution as well as the major requirement of transforming quantity into a new quality.

Metallurgy adopted new varieties needed by the national economy, such as electrical sheets and strips, metal cord for automobile tires, stainless steel sheet and pipe, and so on.

Flat products have assumed an increasing proportion of the production structure, with the introduction of flat plates for pressure boilers and tanks, low-alloy weldable plates (used in various metal constructions), cold-rolled plates for coachwork, strips for longitudinally welded pipe, and others. Tubular products were also diversified by expanding the production of pipes for power generation, and by developing the production of stainless steel pipes, as well as a varied assortment of tubular products for well drilling, which use high quality steel. Notable in the production of milled products and drawn bars, are steels for automobiles, and in particular for the Dacia cars and the Roman automotive line. Similarly, on the basis of our own research we are manufacturing products comparable to any in the world, such as ball bearing steels, tool steels, and so on. In conclusion, we can state that the production of 1975-1980 was primarily oriented toward valuable varieties with a high degree of processing, and that the needs of the national economy are being met in a larger measure.

[Question] What is the present technical level of metallurgy? What progress has been made in applying more efficient new technologies, in terms of labor productivity and the consumption of raw materials, coke, gases, and electricity? How many of these technologies result from the activities of our researchers, designers, and workers?

[Answer] In our branch, the current five-year plan is characterized by the industrial scale implementation of modern processes with high technical-economic efficiency. In steel plants, some of these processes are continuous casting, which will be used in 30 percent of the total steel production, vacuum treatment of steels, and electric remelting under slag, which will make it possible to obtain high purity steels for special applications.

Extremely important technologic improvements have also been made in other sectors of metallurgy, particularly in milling and drawing, where in addition to the modern mill installations that were placed in operation, we introduced and expanded technologies intended to improve product quality. We thus expanded the hot-flamming technique, on-line polishing of semifinished products, and thermal treatments in mill adjustments so as to improve physical and mechanical characteristics.

Moreover, we modernized existing furnaces and promoted the design and construction of high capacity furnaces with low energy consumption and high productivity. At the same time we equipped all metallurgical ovens with recovery facilities, in order to use the heat in combustion gases and in semifinished products (ingots, castings, and so on). In the refractory sector we increased the production of stampings and refractory concretes of domestic origin.

Without going into details, I will mention that the achievement and introduction of these processes and technologies is due to the metallurgical research and design activity which we have oriented more directly toward the more acute problems of metallurgical production. For this purpose, we have established and organized six technology research centers, at each central and at the large steel production units, which we have provided and endowed with the necessary equipment, and which now employ 723 specialists.

[Question] What has been undertaken and obtained in the development of non-ferrous metallurgy, rare and ultrapure metals, and alloys for the electronics industry?

[Answer] Non-ferrous metallurgy was strongly developed during this five-year plan, especially in the processing and manufacture of aluminum and iron alloys. Aluminum production has increased by 50,000 tons per year following the start of two new electrolysis installations at Slatina; iron alloy production has increased by 200,000 tons per year at Tulcea on the basis of five new furnaces, the first two of which are already operating; secondary aluminum and copper alloy production has increased by 24,000 tons per year at the Neferal enterprise (16,000 tons of which are already in production).

For technology improvements in aluminum electrolysis we have introduced the automatic regulation of interpole distance and the extinction of anodic effects so as to reduce electric power consumption and increase the purity of refined aluminum to 99.99 percent (at the Slatina Aluminum Enterprise); and we are assimilating and endowing (at the Slatina Enterprise for Aluminum Processing) the production of milled goods, sheets, and aluminum alloys for the aeronautical industry. Similarly, we are formulating blends of tungsten and cobalt metal carbides to be used as inserts in cutting-machine tools.

[Question] To what extent has the exportation of the branch developed during the five-year plan? What is the export volume? What proportion of the total production of the branch is being exported? How did the exportation structure improve?

[Answer] During this five-year plan, exportation evolved in direct proportion to the development of the branch, and was 61 percent higher in 1980 than in 1975.

The structure of metals exportation improved from year to year; products with little processing were exported temporarily only during the first part of the current five-year plan, and have been completely eliminated from exportations during the later years. These steps have led us to obtain improved delivery prices and a corresponding rate of return.

These results are also a natural consequence of the efforts made by the workers in the branch to deliver for exportation, products with superior technical parameters and competitive on foreign markets. We continue, of course, to be concerned with new possibilities for increasing the efficiency of exportation by improving the production structure toward a larger proportion of highly processed products, so as to further reduce production costs.

We currently maintain contractual relations with more than 60 countries. We conduct broad exchange and mutual specialization relations in the area of metallurgical products with the socialist nations. In the light of the programs established by the higher leadership organs of the party and state during visits conducted in some countries, we expect continued steps of diversification and expansion of exportation to countries on the American and African continents, as well as to the Far East.

[Question] Was production more expensive or less expensive during this five-year plan? Did you fulfill the plan for the material production costs indicator?

[Answer] During the 1976-1980 five-year plan, production costs dropped from year to year, with the preliminary figures indicating a reduction in material costs of more than 48 lei per 1000 lei of goods production. For the 1980 production alone, this represents an absolute value savings of more than 3.5 billion lei over the costs of 1975.

We must note however, that we will exceed the 1980 plan tasks by about 6-7 lei in material costs, and that this overage will be even higher for total costs.

The analyses conducted by large enterprises have shown that these problems are primarily due to delays in starting the new objectives for which production was planned for this year. As a result of this situation, physical production and the production of goods was not achieved, causing repercussions on economic efficiency. Similarly, our units were able to achieve only 81.1 percent instead of the 85 percent planned for the extraction coefficient. Measures have been established to place objectives in production by the end of this year, many of these undergoing cold and hot tests, so that we will see much better results in 1981.

[Question] Metallurgy is one of the largest consumers of electric power and fuels. What has been undertaken, and what results have been obtained in reducing specific consumptions of coke, electricity, and methane gas? To what extent have secondary energy resources been recovered?

[Answer] Technologic processes in metallurgy are carried out at high temperatures, requiring high consumptions of fuels, electricity, and heat; metallurgy is thus the second largest consumer after the chemical industry.

Insistent actions have been taken to continue to rationalize and reduce specific energy consumption throughout the branch. The Ministry of the Metallurgical Industry (MIM), industrial centrals, and their units, have established and applied measures aimed primarily at modernizing equipment and technologies that consume energy, together with a concern for greater recovery and valorification of secondary energy resources.

The application of these measures has reduced specific consumptions of electric power and fuels year after year, both for basic steel products and for MIM activities as a whole. As compared to 1975, for instance, and as steel production increased, specific fuel consumption reduced by 4.5 percent for metallurgical coke, 6.5 percent for pig iron, and 15.3 percent for Martin steel. Specific consumptions of electricity have been reduced by 16.7 percent for pig iron, 4.9 percent for electric-process steel, 29.9 percent for Martin steel, 15.3 percent for calcined alumina, and 3.4 percent for electrolytic aluminum.

Compared to 1975, the electric power savings for Martin steel represent 9.6 million kWh, and amount to 76,000 tons of conventional fuel.

Some of the more important steps that have reduced specific consumptions are an increase in the unit capacity of coking installations from 250,000 to 300-600,000 tons per year; an increase in the useful volume of furnaces concurrent with oxygen enrichment and increased temperature of the injected air; oxygen injection in Siemens-Martin and electric ovens, concurrent with the equipment of electric steel installations with high capacity ovens (50-100 t); increasing the proportion of converter steel from 41 percent of the total steel in 1975, to 47 percent in 1980, while reducing the proportion of Martin steel from 53 percent to 37 percent during the same period; introducing the continuous steel casting process in semifinished products, and using more than 70 percent hot ingots at a temperature of about 850 degrees C in the load of reheating ovens for heavy semifinished product mills; and automating the extinction of anodic effects in aluminum electrolysis tanks, thus reducing specific electric power consumption by about 500 kWh per ton.

Compared to 1975, as a result of our concern for recovering and utilizing secondary energy resources, an increase of 20 percent is predicted for 1980 in the consumption of these resources, following the application of measures aimed at reducing the losses of coke and furnace gases burned in torches, the installation of recovery tanks at steel formulation and processing ovens, and the adoption of a new technique for coke extinction, which will make it possible to obtain about 550,000 Gcal in steam at 40 atmospheres and 435 degrees C.

[Question] It would be of interest to our readers if you could begin by presenting some information about the directions and proportions of development, and the options provided by the transition to a new quality, as stipulated by the 12th Congress for the 1981-1985 five-year plan. We would ask you to delve especially on the sectors and sub-branches which derive the greatest value from raw materials, as well as on projects to limit to strictly necessary amounts, the products which consume large amounts of raw materials.

[Answer] Within the metallurgical industry, the concern to achieve the major objective established by the 12th Party Congress, regarding the transition to a new quality, is focused on obtaining the highest possible economic efficiency both through the technical solutions which we are applying or will apply during the upcoming period, as well as through the products which we are delivering to the national economy, and which must fully meet, quantitatively and qualitatively, all the demands of the economy. We are equally concerned that our entire activity be carried out so as to constantly reduce production and general costs.

As part of this broad framework, we have devoted great attention and continue to stress our interest in modern development and in the advancement of competitive technologies proven in international practice, such as: producing pig iron in high capacity, fully automated furnaces equipped with perfected systems, which reduce coke consumption; intensively promoting the production of steel in oxygen converters, where energy consumptions are sensibly lower than those of other processes; constantly expanding continuous steel casting, a process that assures both fuel and metal savings during manufacture; installing modern, high productivity mills which yield products of higher precision; and so on.

Moreover, we are concerned with satisfying the qualitative needs of our customers, who require metals with special properties for various advanced technologies. To this end, we have introduced and continue to expand special fabrication processes which assure high metal purity and uniformity, while developing departments of product adjustment and stressing quality control measures, including non-destructive testing, all of which will assure users with constantly renewed metallurgical products.

At the same time, we have taken action and monitored the standardization of production by reducing the number of product types, dimensions, and formulations, thus meeting the needs for metal with increased efficiency on the part of producers and users alike.

The transition to a new quality is of course not limited to these examples, and we must note that we are also acting to intensively use domestic resources and to reduce the consumption of raw and other materials, and of fuels and energy. In addition to the strict organizational and management steps taken in all manufacturing areas, we have also advanced a number of technologic steps aimed at the highest valorification of domestic coal resources for coke production, reducing the consumption of coke in furnaces, utilizing steel plant slags which had no usefulness until now, improving metal utilization in the fabrication of finished milled products, economizing imported steel alloy elements, recovering the heat from combustion gases in a number of metallurgical plants, and so on.

We can summarize by saying that the attainment of a new quality in the metallurgical industry will in fact be a transition to a higher level of production design and implementation, by means of which we will assure the economy's need for metal with maximum efficiency.

[Question] How much of the 1981 production growth will be achieved on the basis of new objectives that will started or will reach their designed parameters during this year or the early part of next year?

[Answer] For the 1981 production growth, the new investment objectives expected to be in production during next year are for the most part undergoing hot and cold technical testing, or at an advanced stage of construction. The growth will 13.7 percent for metallurgical coke as a result of starting new coking installations at Galati and Calan; 18 percent for pig iron following the placement in operation of new furnaces at Calan, and especially of the 3500 cubic meter furnace at Galati, the largest furnace in the country; and 62 percent for grey cast iron as a result of starting the two 1000 cubic meters furnaces at Calan. The increase will be 12.4 percent for steel due to the start of new electric furnaces at Calarasi and Tirgoviste, and the increased production of the No 3 Converter Steel Plant at Galati; 14.5 percent for finished milled products as a result of the introduction in production of new mills at Focsani, Beclean, and Calarasi, but especially of the increased production at the new facilities installed in 1980; 14.1 percent for tubing from the contribution of new capabilities at Zalau, Roman, and Zimnicea; 45.5 percent for sized steel in bars and coils; and 21.2 percent for drawn wire. However, independently of these new capabilities which concern practically all our combines, 1981 will see improvement at all levels. Measures have been taken to improve technologies for formulating high quality steels (for ball bearings, stainless and refractory steels, for thermal treatments, and other types) involving installations for vacuum treatment and heat injection at the Hunedoara, Galati, and Tirgoviste steel combines; steps have also been taken in milling departments, to complete adjustments that will produce higher quality finishes for all selections, as well as a more thorough valorification of metals through greater extraction coefficients. These measures will directly improve production organization, labor productivity, quality, and efficiency in metallurgy.

[Question] At various exhibits, the last of which was held in April at the Piata Scinteii Exhibit Hall, you have shown the ways in which metallurgy will act to reduce consumptions and increase the economic efficiency of the branch. At that time, you also received a number of indications and guidelines from the secretary general of the party. What is the status of their implementation? Will 1981 be a reference year in this respect? How?

[Answer] Indeed, at the exhibit "Ways and Means for Reducing the Consumption of Raw Materials, Materials, Fuels, and Energy for 1980 and for the 1981-1985 Period," the Secretary General gave us a number of indications for reducing consumptions and increasing the economic efficiency of the branch. We have consequently undertaken some actions, such as the joint program with the Ministry of the Chemical Industry for utilizing sub-products from coking plants, a program which was approved by the higher leadership and which is periodically analyzed by specialists of the two branches. In addition, together with industrial centrals and design institutes we have analyzed the possibility of replacing or reducing the consumption of zinc, copper, and tin at production and consumer enterprises within the ministry. To this end, we have studied technologic improvements which will reduce specific consumptions, and have taken technical and organizational measures which will also lead to savings of these metals.

We have concerned ourselves and established concrete programs for recovering metals from slag at Siemens-Martin and converter steel installations, for rebuilding spare parts and cylinders, and for increasing the proportion of domestic coal in coking charges so as to reduce importations and increase production efficiency.

To reduce energy consumption, we have formulated an energy plan for the ministry, aimed at technical measures which will further reduce power losses in aluminum electrolysis and iron alloy manufacture, by optimizing the thermal conditions of furnaces together with a more advanced recovery of secondary energy resources.

[Question] What are the plans for exportation development?

[Answer] The major problem in exportation is the increased efficiency of exported metal. We are seeking to further expand the metal exchange activity, first of all with socialist countries, and with other nations as well. We are interested in exporting the types and dimensions of metals that have undergone extensive processing, so as to obtain maximum economic efficiency. For instance, in the exportation of finished stock we will increase the proportion of products designed for hot processing, scaled, and polished, and of shaped cross sections, and we will organize specialized export departments equipped with machinery for stamping, labeling, binding, and packaging. Flat plate will be delivered in various thicknesses and shapes according to international standards, for shipbuilding, tanks, technologic equipment, and so on. In welded pipe we will expand our light-weight and extra-light-weight lines, and introduce new models, while in seamless pipe we will increase the proportion of high quality, thermally treated steel pipe with special flanges. In aluminum milled products we plan to increase the proportion of extrusions, of sheets colored and reflecting on both surfaces for the food industry, and of sheets for deep drawing and shipbuilding.

As for foreign trade, it is particularly necessary to take steps to improve marketing and prospecting activities in close connection with production centrals and enterprises.

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NATIONAL BANK HEAD INTERVIEWED ON EXCHANGE PROBLEMS

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1571, 8 Feb 81 pp 11-13

[Interview with Dr Ksente Bogoev, governor of the National Bank of Yugoslavia, by Mirko Djekic: "Credits, Foreign Exchange Reserves, and the Balance of Payments"]

[Text] [Question] Yugoslavia has just obtained from the International Monetary Fund a credit in the amount of $2 billion, which in practice it will be able to use to improve the balance of payments in the amount of about $700 million each year. Since this is the largest amount which the leading world financial institution has so far extended to any developing country, it is natural that it has aroused unusual interest both here and in international economic circles. It is self-evident that this kind of credit from the IMF represents at the same time good marks for the Yugoslav efforts to carry out the stabilization program and to keep a close accounting of the country's payments-balance capabilities in trade with foreign countries.

[Answer] I think that the loan to Yugoslavia from the International Monetary Fund is interesting from two standpoints. First of all because it is an important arrangement in terms of size, one which provides us support in our efforts to achieve those proportions in the balance of payments which are indispensable to us for the sake of greater stability and security in our economic relations with foreign countries, (we were told by Dr Ksente Bogoev, governor of the National Bank, who is also our country's representative on the Board of Governors of the International Monetary Fund). It also represents support for our efforts to achieve the necessary level of liquidity in our international payments and so that we have stable sources of financing in the balance of payments. It thereby diminishes the portion of resources which we need to provide for those purposes on the open capital market, where the terms, as we all know, are not so favorable as those of this international financial institution.

The interest on one portion of the loan (one-fourth) is about 5.5 percent, and it is about 11.5 percent on the remainder. On the open capital market, the American market in particular, interest rates are now considerably higher and in recent weeks have gone even as high as 20 percent.

The Balance of Payments Above All

It is well known, (Dr Bogoev said), that the members of the IMF can borrow from the Fund only in order to correct difficulties in their balance of payments. These are not credits for specific development projects, for industrial installations, for the infrastructure....

The developing countries, which are having greater and greater problems in the search for capital to cover deficits in balances of payments which are increasingly unfavorable as it is, are having considerable difficulties obtaining funds to finance the deficit even from the International Monetary Fund itself. That is, the Fund requires that certain conditions be met in the conduct of economic policy and in assuring measures which are supposed to be directed toward reestablishing internal equilibrium and reestablishing equilibrium in foreign economic relations. The fact that the funds of the IMF are also limited, while the demand for their use is greater and greater, represents an additional difficulty.

Following the petroleum crisis in 1973, most countries fell into deeper difficulties. The Fund therefore had to increase the total amount of credit in order to come to their aid. Certain terms and conditions were also relaxed, among which the "petroleum reductions" have been mentioned most frequently. We also took advantage of this (said the governor of the National Bank). We used $155 million in 1974 and $185 million in 1975.

[Question] Were there difficulties during the negotiations with the International Monetary Fund, and were certain conditions set on us as well?

[Answer] In our negotiations with the Fund we did not have those difficulties which are usually indicated. It is the practice of the IMF to inform itself about the economic situation in a country that is seeking credit and about the economic policy measures through its missions, which visit the member country in such a situation. The usual thing is for them to hold talks with the central banks--in our case with our National Bank, and there they obtain the information they seek. That was the case on this occasion, that was also the procedure in the past.

Last year, thanks to the stabilization program which our economic policy has adopted, we concluded with the IMF the first large arrangement of this kind. At that time we obtained a credit of about $440 million to cover a portion of the deficit in the balance of payments. Even at that time in our talks with the Fund's mission we presented them the foundations of our stabilization program in this domain and our intention to reduce the deficit in the balance of payments from $3.6 billion to about $2 billion this year.

On that occasion the Fund concluded that this orientation was very sound, especially since it concerned a year in which the industrially advanced countries, including some who traditionally had a surplus in the balance of payments, found themselves in payments-balance difficulties. Yet it was in that year that Yugoslavia decided to make a radical change of direction in its foreign economic relations. Even now it is clear that the greatest possible success has been achieved in this.

This was one of the significant factors for the IMF, (Dr Ksente Bogoev said), in making its decision at this time and in offering such significant support to the further implementation of the Yugoslav stabilization program, giving us this large recent loan in the amount of $2.2 billion. The Fund accepted our stabilization policy in its entirety, the relatively restrictive monetary policy, which the specialists of the Fund particularly insist on, and the policy of the realistic rate of exchange of the dinar.

An Exceptional Loan: Why?

[Question] If there were no objections, were there any suggestions?

[Answer] In accepting all our measures, (the governor said), the specialists of the Fund took a particularly favorable view of the orientation toward structural changes, that is, toward the reorientation in the fuel and power industry toward our own resources, toward augmenting agricultural production and food production, and toward more decisive support of exports. We showed them the basic figures of our new medium-term plan and the basic objectives of the resolution for this year. The favorable assessment was confirmed during the discussion of our arrangement for the loan in the Fund's Board of Executive Directors. Both as to current economic policy and also as to the orientation in future development.

[Question] Why is it said in international financial circles that this loan sets a precedent?

[Answer] It is because the Fund is expanding the volume of its credit financing and because the period for use of the money is longer than has been customary up to now, in order to offer the developing countries an opportunity not only to finance the deficit in their balance of payments, but also to achieve structural changes in their economy. Previously credits of this kind were granted for 1 or 2 years.

[Question] Our public has been told that in recent months we have also obtained several bilateral credits. Were they also taken in order to improve the position in the balance of payments or for development projects?

[Answer] On the basis of the law which the Yugoslav Assembly adopted last July we have been proceeding last year and at the outset of this year to carry out the program adopted at that time for contracting indebtedness. We have had two approaches in negotiations. The first is bilateral--we began and by and large realized arrangements with countries with which we have highly developed economic relations. In those countries we had the support of their governments, but all these credits were contracted under the customary terms and conditions, according to the relations prevailing on the open capital market. Which means that no sort of aid or concessionary loans were involved at all.

Credit arrangements of this kind were concluded with Austria--$100 million, Kuwait--$250 million, France--$150 million, and West Germany--$250 million. There are to be talks with Italy, talks which probably will begin soon.

[Question] Has it been made public that we also took a loan on the London capital market?

[Answer] Yes, that has to do with this other approach, with what are called syndicated credits, which means that the credit is taken from a group of banks. In our case we obtained a credit of $400 million from American, British, Canadian and Japanese banks. All these loans have a repayment period between 6 and 8 years and a "grace period" (the period before repayment commences) of 3 years, market rates of interest and other costs which are the subject of specific negotiations.

[Question] Has it also been made public that credit arrangements have also been concluded with West Germany?

[Answer] Yes, one special arrangement has been signed. This has to do with Hermes, the West German institution for stimulation of exports, offering a guarantee covering commercial credits for purchases of equipment in Germany. The amount involved is 900 million marks. Up to that amount Yugoslavs can obtain commercial credits from German banks that are covered by the guarantee of that institution.

Foreign Exchange Reserves on the Rise

[Question] The figures of the International Monetary Fund, which we also receive in our editorial offices, show that our foreign exchange reserves are growing substantially. You recently announced that they amounted to about $2.6 billion. Why do we need such large reserves?

[Answer] One of the objectives of contracting indebtedness abroad is precisely that of keeping our foreign exchange reserves somewhere between $2.5 and $3 billion, whereby we ensure the level to cover payments of all obligations to foreign countries for 2 months.

[Question] That 2-month period is incidentally accepted in international financial institutions as the period which adequately ensures a country's external liquidity. Have there been times in past years when our foreign exchange liquidity was in jeopardy?

[Answer] No, in spite of all the difficulties we had in 1979 with the very large deficit in the balance of payments and in 1980, when we were carrying out the stabilization measures. We maintained the country's external liquidity by gradually obtaining medium-term credits during that year, which by and large was completed toward the end of last year. Not without difficulties, but in any case without any sort of actions which could have had a compromising effect on our credit rating. We are starting this year with a better situation as to foreign exchange reserves, and they will afford us greater stability in international payments and will appreciably reduce the need for short-term indebtedness. If the anticipated relations are achieved in the balance of payments, we will be able to provide for reliable financing of obligations to foreign countries this year.

[Question] Can we expect that the foreign exchange market will revive again thanks to these reserves?

[Answer] We are on the verge of a final settlement of the question of full revival of the foreign exchange market. This will be in the very near future.

[Question] Soon we will know the final figures from last year's balance of payments. Can you tell us some of the basic figures at this point?

[Answer] It is generally known that the balance of payments by and large conformed to expectations and reflects determination to carry out the payments-balance policy adopted. The deficit will be about $2.2 billion. Revenues from tourism increased 33 percent and amounted to $1.1 billion, and in this connection I should mention that a sizable portion of that inflow is not recorded by the National Bank. The total amount is certainly greater. Remittances of Yugoslavs working abroad temporarily increased 13 percent. Their gross inflow was $4.6 billion in 1980. Revenues from services in the transportation sector were also higher.... But we still are waiting for the final computation of the balance of payments to be ready.

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FAILURES OF FRAGMENTED ELECTRICITY SYSTEM FAULTED

Belgrade DUGA in Serbo-Croatian No 179, 3 Jan 81 p 13

[Article by D. Dimitrijevic: "Sparks From the Dark"]

[Text] As to the "Disintegration" of the Electric Power System: How Can Anything Disintegrate Which For All Practical Purposes Does Not Even Exist?

What happened in Yugoslavia on 8 December 1980 at 1605 hours had not been recorded since the existence of this country's electric power system. We still remember it and we will not forget it: in just a few seconds 70 percent of the facilities of our electric power industry failed, and three-fourths of the consumers were left without electric power. To be precise, because of excessive consumption there was first a drop in frequency and a "wavering" of voltage in the Yugoslav system--which is why the UCPTE system (Union for Coordination of the Production and Transmission of Electricity in Western Europe, over which we import power) automatically "disconnected." That suddenly increased our power shortage still more, and there was a successive failure of power plants and transmission lines to the point of an almost complete disintegration of the system. After all, except for Bosnia-Hercegovina, Montenegro and Dalmatia the entire country was in darkness!

We know, then, what happened and that in just a few seconds 70 of the 100 electric power facilities (power plants and transmission lines) went off line. We do not, however, know why it happened and how it could have happened in a modern and, it has been asserted, very up-to-date system. What actually is the reason we were left in the dark?

Let us take things one by one and attempt to clarify this almost inexplicable occurrence....

The Associated Electric Power Industry of Yugoslavia possesses 13,000 megawatts of installed capacity in power plants. Of this 6,000 megawatts is in hydroplants and 7,000 in steam plants. At the moment when the system broke down, run-of-river hydroplants were operating at full capacity (altogether reliable data are not available for storage plants), since they were taking advantage of very favorable inflows of water. Nine thermal plants (with a total capacity of 2,450 megawatts) were off line. Because of breakdowns and a shortage of coal!

These are "technical" facts which certainly give one pause and demand responses, though it seems that the essential cause of the system's breakdown did not lie solely in the technical system of the electric power industry. After all, the "wavering" of the voltage is nothing new, it has occurred before, but the system did not break down. How and why did this occur last December?

Along with indicating certain "technical oversights" (the absence of automatic disconnection and localization of the power shortage), we must ultimately direct ourselves toward the essence. And the essence in our situation is the gap between the growth of power consumption and the rate of construction of new power plants, or, better stated, in the lack of an energy policy.

It is well known, for example, that in recent years Yugoslavia has had the highest growth rate of electric power consumption in the world! (Ten percent in 1980, and 15 percent higher consumption is planned for this year!) And whereas a good part of the world drew up its budget of energy needs back some 7 or 8 years ago, undertook optimalization, altered its orientation and amended its laws, and introduced new technologies and processes, we have been napping to some extent. Over the last 5 years, for example, only slightly more than half (62 percent) of the power plants planned in this medium-term period have actually been built in Yugoslavia. Restrictions on consumption (the "odd-even" system, lower temperatures in dwellings and the like) we undertook only when it became evident that we could no longer increase imports of petroleum. A bit of petroleum was saved in this way, but at the same time increased pressure was exerted on electric power. And what happened happened, the country's electric power system, which in practice did not actually exist as a "unified engineering and technological entity," disintegrated. Power plants, transmission lines and equipment for connections and load control (more precisely, the components which are supposed to comprise the system) were divided among the eight systems of the republics and provinces, which occurred because of the obligation (and right) of the sociopolitical communities to see to and furnish electric power for their own respective regions. Better stated, they are responsible for supplying power to consumers in their respective regions (petroleum and derivatives are in the jurisdiction of the Federation; until last year this was also true of coal, which was then transferred to the republics and provinces).

The trouble, then, is that practice has transformed this constitutional category into an almost total geographic separation of electric power systems. One can almost count on the fingers of one hand the contracts and transactions under which energy passes from one region to another. It is also true that disagreements and disputes are constantly occurring over practically every such contract.

This separation and almost complete absence of economic logic in the fuel and power industry have led us to an illogical situation: the richest and most economical sources of energy are not being adequately utilized (the watershed of the Drina, coal deposits in Kosovo), while expensive projects, often based on imported fuel, are being built. Is it any wonder, then, that prices in the fuel and power industry are being raised every year (even twice a year)....

Perhaps the disintegration of the system could actually have been localized by timely action on the part of load controllers, though punishing them will not correct the causes of a situation which is unfavorable in general. After all we have the exceptionally favorable hydrology to thank for the fact that over the last 3 or 4 years there have been no serious problems in the power supply. Last year alone the abundant rainfall, distributed "according to the plan," made it possible to generate an additional 3.5 billion kilowatt-hours of power.

Without this gift from heaven, we would have had a very great crisis, power shortages and damage back 3 years ago. Above all in the economy.

The disintegration of the power system, then, is a consequence of the wrong moves made in energy policy over several years, of the time and energy lost on trifling tactics ("odd-even," lowering the temperature in dwellings, bans--which are not respected--on construction of new heating plants and power plants), of the way jurisdiction and interests are divided (among the components of the fuel and power industry and among regions), and of neglect of construction of new facilities.

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PROSPECTS FOR COMPLETION OF SMEDEREVO IRONWORKS REVIEWED

Belgrade DUGA in Serbo-Croatian No 179, 3 Jan 81 pp 20-21

[Article by Slobodan Lazarevic: "How Smederevo Steel Is Being Hardened"]

[Text] When planners in Serbia recently presented their opinion, however reluctantly, concerning the Smederevo Metallurgical Combine--the largest construction project in the republic--their brief report had the effect of a cold shower. Over the next 5 years, they said, we should expect a new wave of debts which would be felt to a quite considerable extent on the already troubled sea of the republic's economy.

The gloomy prospects in the construction of this kind of project--which really are not built all that often--are not a rarity at all in this period of economic instability. But it would be a shame if they should overshadow the favorable opportunities which the work force in Smederevo has over precisely these next 5 years to finally get on its feet.

When all is said and done, it would not be anything strange if this most recent document on measures to rescue and consolidate the Smederevo Metallurgical Combine--as it is officially called--should encounter a mixed public reaction ranging from those who are extremely pessimistic to those who are quite optimistic.

A Second Decade of Construction

Some people observe caustically that this document is now the 22d version of the financial rescue to see the light of day in Serbia in a relatively short time. But even this is not the most essential thing when we bear in mind that the future giant of ferrous metallurgy on the Danube has been under construction for nearly 18 years now. The decision to expand the old steel mill was announced on 3 July 1962 by the bodies of self-management of the work force in Smederevo. In spite of that distance in time, there is hardly anything intelligent that can be said today in objection to its motives and goals.

Its purpose, that is, was to build a key facility of ferrous metallurgy in Serbia, one that would become a point of support for development of many industries which are large consumers of steel. The warnings indicated that there was no alternative for domestic collectives engaged in metal manufacturing (machinebuilding, manufacturers of automobiles and household appliances), nor indeed for many others. Without a permanent source of raw materials on which they could rely, they would be forced to put a padlock on their doors without waiting for their ambitious development plans to pop like children's soap bubbles.

After all, in reaching for the future--which some entered with cars, and many with refrigerators or washing machines--these industries had already gobbled up all the available amounts of steel, steel products, sheet and strip. The frontrunners were in fact collectives in Serbia, which is the largest consumer of steel and steel products in the country. When they were not available at home, they were sought abroad. That accounts for the pressure on imports, which have not been dropping for years. Last year, for example, 400,000 tons of sheet and strip were imported, and certainly this did much to exhaust holdings of foreign exchange.

So, nothing could be more logical than the decision to turn the page with respect to this state of affairs and by building a steel mill within the republic to shore up the branch we are sitting on and in that way to look a bit further into our own future.

Society Builds, While Inflation Tears Down

This obviously was easier to say than to do.

Investments of this kind do not resemble other capital investment projects in the least. Construction of a steel mill is an incomparably more difficult case, sufficient at any moment to cause the cup of domestic consumption, already overfull, to overflow.

Steel after all is a strategic material. All countries in the world regularly include it in the basis of their defense. Which is why there is no collective which could on its own, using the strength of its own treasury, support the burden of this kind of "investment in security." There is no other way, then, but for the entire society to roll up its sleeves or, better stated, to loosen its purse strings, through mandatory contributions and taxes. It was an equal tightening of the belt, then, and bills are now being sent to all collectives in Serbia.

Some commentators add to all this that there is nothing strange about the Smederevo Metallurgical Combine becoming in time an inevitable item on the debit side in all the agreements and plans in the country and especially in SR [Socialist Republic] Serbia. What is amazing--they add, is that that did not become the rule from the outset.

All the years that have passed have confirmed that the dinar invested in Smederevo steel has partly been melted away and partly "hardened" in the silent fire of domestic inflation. Under the onslaught of prices and construction costs, the entire package for financing the future giant of ferrous metallurgy is a structure that has had to be shored up with new loans with increasing frequency.

Even in the first decade the knife was put to the throat of the construction workers in Smederevo. The race against rising prices seemed hopeless. Treasuries were emptied at a galloping rate. Faster than construction work progressed. Nothing was left but to extend the deadlines. This, of course, meant the risk of incurring new price rises. The witch's death became more frantic. Up until the beginning of 1975, when the decision came down that further construction would be suspended!

For better or for worse the construction site on the Danube sprung into life again in June 1976. Since that time construction--which has already been an abundant topic for numerous debates in the republic--has been going incomparably faster. An intergovernmental credit has been assured, domestic and foreign credits have been obtained, equipment has been acquired, and the doors of domestic banks have been opened still wider. The entire society again backed it up with available resources....

Alone at Any Price

The faint-hearted forecasters who proclaimed the Smederevo Metallurgical Combine to be a "millstone around the neck" have again been proved wrong. The anticipated result did not after all occur.

The current report from the construction site at the steel mill states that the shops for production of white pig iron, hot-rolled sheet and strip, and cold-rolled sheet and strip have been roofed over and have gone into operation. The only thing one can say with confidence is that the steel mill has not been lucky. The completion date for its construction has again been extended. This time it is 1982, when it is expected that a river amounting to 840,000 tons of steel per year will flow from its interior. At this point the facilities which had been built could produce exactly half of the planned amount.

Not even the "fine rain" of commercial and financial credits have been able to extinguish the fire in which the investor has roasted these last 18 years. On the contrary, in the judgment of many the indebtedness was wrongly undertaken, the short repayment periods and high interest have acted like oil on the fire. It is also clear that raising domestic steel prices is not solving anything. The illusion that this would bring the steel mill to the point of self-financing is even hazardous, since it easily could start a new wave of price rises for all iron and steel products, which ultimately would act like a boomerang on Smederevo steel.

What strategy, then, is to be chosen to be ready for the upcoming wave of debts and to ensure that the metallurgical combine will finally get on its feet over the next 5 years?

[Box, p 21]

From the moment when the cornerstone of the metallurgical combine in Smederevo was laid up to this very day the total funds for its construction have never been furnished. Instead, it has always been necessary to obtain new funds over the last 18 years. Under increasingly unfavorable terms and conditions, of course.

Up through 1980 about 49 billion dinars had been invested in the combine through domestic and foreign credits. In the new 5-year period about 30 billion will be lacking for the financial rescue, and it has therefore been proposed that an additional income tax be introduced to help repay the debt. The tax amounts to 1 percent and will be paid by all collectives in Serbia. This would generate 11.6 billion dinars over the next 5 years. Apart from that, another 45.5 billion dinars will have to be provided to complete work on the Smederevo Steel Mill, whose completion is planned for the end of 1985 (23 years from commencement of construction).

Unrestrainable Prices or Expensive Cheapness

Planners in Serbia have tried to offer an answer.

"It is very important that the existing capacities be used more and more in the current operation of the combine in Smederevo, as well as those that will be built up to 1985," was the answer to this question given by engineer Krsta Jovanovic, republic secretary for the economy, a man who has the construction project in Smederevo to thank for a part of his insomnia.

It is a question, he added, of producing sheet and strip which are being imported in large amounts by domestic machinebuilding. More precisely, it is far better to operate the capacities which have been built and completed, even using foreign raw materials, than for them to stand idle. That operation would augment both the planned volume and the assortment of products. It is also worth examining the present nonalignment of the prices of cold-rolled materials, strip and other products. The present imbalance of prices is untenable. This is the principal reason for the new losses in production: about 1 billion dinars annually.

It is certainly absurd for cold-rolled sheet, which requires more treatment and additional costs, to cost less, but foreign indebtedness, which is augmented even more by the change in the rate of exchange of the dinar, is equally unjustified, and that applies even to domestic "short-term" credits (from 3 to 5 years) taken at a Draconian interest rate of 10 percent per annum. This kind of financing has to be abandoned once and for all.

Only if all these circumstances are closely examined, the more sober business executives feel, can one understand why the wave of debts has been like a cold shower for some people. In any case the planners were forthright: without the aid of the broader social community and more extensive involvement of the interested industries, the metallurgical combine would show a shortage 30 billion dinars larger in 1985!

Postponement Is Not a Solution

The dizziness caused by the figure of 30 billion dinars--the amount that would be lacking to repay debts to domestic banks and abroad--has raised a question in some doubtful heads as to what would actually happen if this procedure were followed at the steel mill in Smederevo?

"Halting construction would not diminish the debts," the experts answer, "but the consequences would be beyond reckoning!"

That is, the foreign debt would be first to "knock" on the door. Even under the best conditions purse strings would have to be loosened and the by no means negligible amount of 16 billion dinars would have to be returned by 1984. The domestic banks issue guaranties for that debt. The largest share is that of Investbanka.

Then the wave of debts to domestic creditors would cause a real chaos in the funds of the banks. Treasuries would literally seem "cleaned out" as in the aftermath of some unheard of financial storm. The only thing left would be to assess the damage and conclude that the raging bad weather had taken away nearly 18.5 billion dinars, which would ultimately have to be written off.

The subsequent and concomitant consequences would extend to all collectives doing business with the metallurgical combine. It would threaten the position of industries which are large steel consumers, and imports would have still greater weight in the balance of payments. Halting operations in Smederevo would mean uncertainty for about 8,500 workers, which in and of itself is a sufficient point. Who would have the courage to sign such a document?

"The community's support is indispensable over the next 5 years as well," engineer Krsta Jovanovic specified. "The total deficit of about 30 billion dinars consists of the operating loss and the interest come due which the steel mill owes, together with installments for repayment of principal. Associated labor (within the metallurgical combine and the cycles of reproduction in which it is involved) and the republic must play the decisive role in making up the shortage of funds. That is why certain proposals have been drafted to amend the legislation of the tax system, and the draft of an agreement on the bases of the social plan of SR Serbia on development of ferrous metallurgy covering the period from 1981 to 1985 is now being prepared.

How To Cut the Debt in Half?

According to the financial rescue proposal, the debt can be cut in half and the combine can be put on a firm footing only if all interested industrial collectives, associated labor in Smederevo, the banks and the entire republic roll up their sleeves in a joint effort. The pooling of capital will play the decisive role. The remainder consists of one overall bill in Serbia which must be paid by the entire community. It pertains to the interest coming due on the foreign credits, then the interest on domestic credits established by law, which cannot be written off, and also the interest on possible future credits.

When all is said and done, the sound reckoning and concerted forces would "clear up" the steel mill's debts up to this point and would brighten prospects for the construction project in Smederevo to some extent. There would remain only the unpleasant question of how much the collectives in Serbia are to tighten their belts through taxes so as to generate the funds necessary to the recovery of Smederevo steel?

This is now the other side of the coin. After all, the real price and value of any particular decision is always felt by whoever it is that must loosen his purse strings. In this case that is all the working people and citizens in Serbia, either directly or through their collectives.

Proposals have already been made for extension of the mandatory pooling of capital and for higher rates of the turnover tax and the income tax (in a package). The real debate on this is yet to come. In the end those who will be most affected will be those optimists who believed that we had now come into years when there would be a reduction of the assessments that have piled up on the backs of work collectives.

The fierce tax climate will certainly be no surprise to most people. All the years so far in which Smederevo steel has been hardened in Serbia have provided good conditioning for the nerves, patience, and goodwill, as well as for loyalty when it comes to taxes.

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INCENTIVES FOR INCREASING FARM PRODUCTION IN MACEDONIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 27 Jan 81 p 4

[Article by T. Gruevski: "Encouragement for Basic Raw Materials"]

[Text] Macedonian farm officials report that they are producing more food this year than last year. These suppositions are based among other things on the larger area planted and achievement of higher yields and then also on construction of several sizable plants for processing wheat, for the production of bread, meat and milk, as well as on the basis of incentives to promote agricultural production.

This republic's field crop growers have already shown their approval and satisfaction at the recent new incentives for the production of wheat, sugar beets, sunflowers and rapeseed which were adopted by the Macedonian Assembly late last year. We are referring to the new law to amend the Law on Personal Taxes of the Republic and the Law To Amend and To Supplement the Law on the Special Turnover Tax on Products and Services, whose implementation is to furnish an amount exceeding 300 million dinars, which is earmarked exclusively for encouragement of the production of these field crops.

The first piece of legislation calls for an increase of the rate of the republic personal income tax from 0.5 to 1 percent, which is effective as of 1 January 1981. Thus people employed in Macedonia will provide 236 million dinars which will be channeled into premiums, rebates and compensation for the production of wheat, sugar beets and oilseed. Raising the rate of the special turnover tax on products and services from 6 to 8 percent will provide another 70 million dinars for the same purpose.

The implementation of these measures, according to the assessment, should bring to a halt the negative trends in production of sugar beets, wheat, sunflowers and rapeseed. This means that realistic conditions are being created for an appreciable increase in the production of these basic farm crops and that normal operation of the respective processing plants in the republic is being ensured. The supply of bread, edible oil and sugar, which last year was fairly scanty, is also being increased thereby.

To illustrate, the shortfall in Macedonia last year, say, was 15 percent for wheat production, 19 percent for sunflower production and all of 40 percent for the production of sugar beets. At the same time the republic's real needs for wheat production this year are estimated at 330,000 tons (production last year was 280,000 tons, and only 140,000 tons were purchased); in sunflower production 50,000 tons are expected, from which the Titov Veles edible oil mill would produce 20,000 tons of that product (sunflower purchases in 1980 amounted to only 20,000 tons); the needs for sugar beets are estimated at 30,000 cars, which would provide an output of 45,000 tons of sugar (last year the sugar mill at Bitola processed only about 6,000 cars of beets, achieving an output of 7,800 tons of sugar.

What in practical terms do these new incentives signify? In view of the fact that the Federal Executive Council recently adopted an order to raise purchase prices from 0.70 to 1.40 dinars per kilogram of sugar beets, from 6.80 to 11.50 dinars for sunflowers, and from 5.80 to 6.80 dinars for wheat, the new premiums set by the Macedonian Assembly, just like the expected incentives of purchasing organizations and processes in the republic, certain represent an important impetus for field crop growers.

In practical terms the purchase price of wheat for this year's harvest, taken together with supplemental incentives, should thus reach 8.40 dinars per kilogram, that of sugar beets 1.70 dinars and the purchase price of sunflowers 13 dinars per kilogram. The general assessment, then, is that the new prices accord producers the economic motivation to raise these crops. However, it remains to be seen whether they will "attract" field crop growers to make maximum use of their production potential to the expected extent.

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